Massey-Ferguson Limited • ANNUAL REPORT • 1966

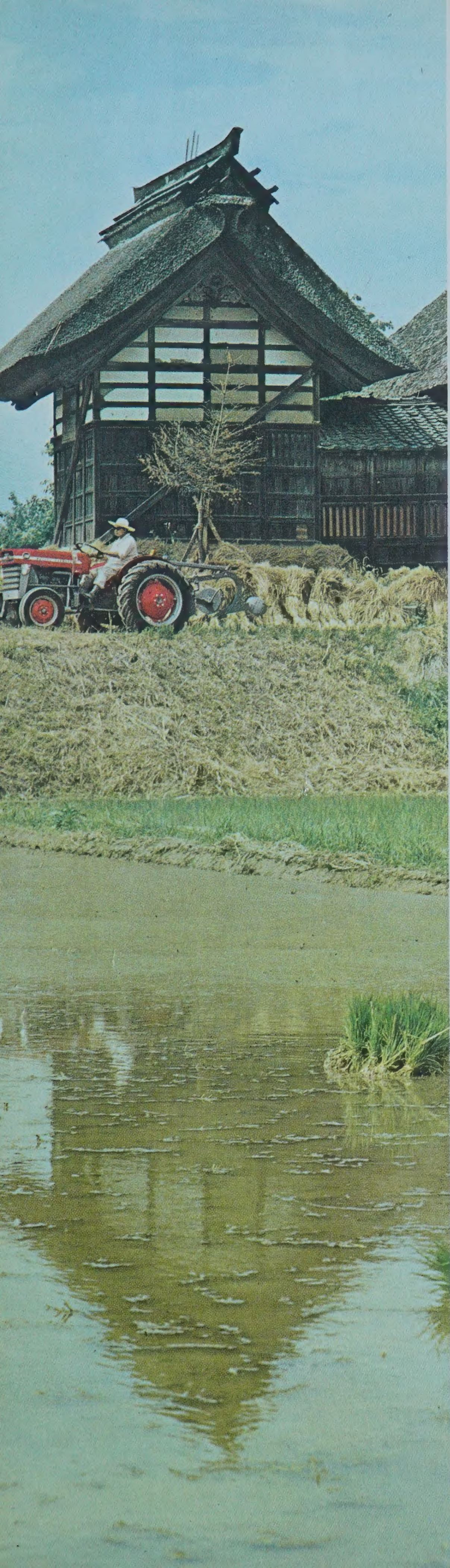
1867 Centennial of Canadian Confederation 1967
Le Centenaire de la Confédération Canadienne

MF'S CANADIAN CENTENNIAL CONTRIBUTION: YOUNG WORLD FOOD AND DEVELOPMENT PROJECT

YOUNG FARMERS from every part of the world are the subject of our cover photographs. 1967 will see the culmination of the Young World Food and Development Project which Massey-Ferguson has sponsored in conjunction with the Food and Agriculture Organization of the United Nations. The Project, Massey-Ferguson's contribution to Canada's centennial celebrations, aims at strengthening rural youth organizations in the developing countries, and thus at helping to relieve the world food shortage (see page 26).

Our picture shows young people from these countries (left to right): Greece, India United Kingdom, Thailand, Zambia, United States, Italy, Philippines, Germany.

It has been estimated that at present, in the emerging nations, no more than 20 per cent of natural resources are being exploited. Human resources are even more tragically wasted: only 10 per cent are being utilized. The population explosion aggravates the already serious situation: by the end of the century, the number of human beings alive is likely to double. It is coming to be more widely recognized that agriculture is fundamental to the development of both natural and human resources, and this is the raison d'être of Massey-Ferguson's centennial project, calculated to help unite world youth in the struggle against hunger and poverty.



CONSOLIDATED FINANCIAL HIGHLIGHTS

	1966	1965
OPERATING SUMMARY (MILLIONS OF DOLLARS)		
Net sales	$932.1	$808.5
Profit before taxes	63.1	47.5
Net income	45.2	40.1
FINANCIAL STATUS (MILLIONS OF DOLLARS)		
Net current assets	$365.0	$274.8
Long term debt	147.1	136.2
Capital and retained earnings	428.6	323.4
PER COMMON SHARE		
Net income — based on shares outstanding at year end	$ 2.50	$ 2.66
— based on average shares outstanding during year	2.71	2.68
Dividends paid	1.00	0.90
Equity	23.64	21.48
STATISTICAL DATA		
Average number of employees	46,242	45,667
Number of shareholders	40,186	34,884
Common shares *(Thousands)*		
— outstanding at year end	18,129	15,059
— average for year	16,711	14,940

CONTENTS

THE ANNUAL MEETING OF SHAREHOLDERS

will be held in the Canadian Room, Royal York Hotel, Toronto at 12 o'clock noon on March 9, 1967.

Photo by David Forbert

Photo by Peter Varley

FALL PLOUGHING IN SOUTHERN ONTARIO

Canadian farms occupy 272,000 square miles, of which about half are under cultivation. The farm tractor population is about 575,000 units. This is only a moderate increase over the 1961 figure of 549,000. However, in the last five years the value of farm machinery sales has doubled — to $400 million. This underlines the fact that growth of productivity and mechanization has brought a demand for *larger* tractors and implements. Canada's agricultural boom reached a new peak with the country's 1966 wheat sales total of 683.5 million bushels, of which 582.8 million went for export. The future for wheat farmers took a new favourable turn in 1966 as agreements were reached with China, Russia and Poland, guaranteeing sales to those countries alone of 567-650 million bushels over a three-year period.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED OCTOBER 31, 1966

Your directors are pleased to present this report on the consolidated operations, financial results and condition of Massey-Ferguson Limited for the year ended October 31, 1966. Preliminary results of consolidated sales and income for the year were announced December 23, 1966.

During the year 1966, your company achieved further growth and development despite the emergence of certain adverse factors in the economic environment outside North America, particularly during the latter half of the period. New record levels of production and sales were attained. During each quarterly period of the year sales exceeded those of the corresponding period in any previous year. For the full year sales reached $932.1 million, an increase of $123.6 million or 15.3 per cent over last year. New peak levels were established in Canada, the United States, the United Kingdom, France, Italy and Asia. Moreover, with the exception of South Africa, sales in all major markets, including in aggregate those to all export territories, exceeded those of 1965.

Notwithstanding these increases in sales in most markets, the company has been affected by world-wide tight money and credit conditions and the adoption in some countries of measures aimed at containing inflation or coping with balance of payments problems. The company, however, has experienced no difficulties in settlement of international accounts. These adverse conditions have exercised a restraining influence on sales in some markets, even in markets still expansive. Manufacturing schedules were, in fact, initially programmed at the beginning of the fiscal year in anticipation of sales somewhat greater than those realized, and certain downward adjustments in production were made during the year, particularly in the last quarter for plants in the United Kingdom.

Profit before taxes was $63.1 million, the highest in the company's history, compared with $47.5 million last year or an increase of 32.7 per cent. The ratio of cost of goods sold to sales improved to 77.5 per cent from last year's ratio of 78.0 per cent.

As noted in the annual report on 1965 operations, we anticipated a higher provision for income taxes for the 1966 fiscal year. This year the provision for income taxes was $17.9 million, an effective rate of 28.4 per cent compared with $7.5 million or 15.8 per cent last year. Net income was $45.2 million compared with $40.1 million for 1965. Depreciation and amortization charged against income for the year was $30.2 million compared with $26.0 million for the previous year. Engineering expenses at $21.3 million were increased from $19.2 million last year.

In March 1966 a rights offering of 1 share for every 5 shares held increased the number of common shares outstanding. On the basis of the average number of common shares outstanding for both the 1966 and 1965 fiscal periods net income per common share was $2.71 on 16,711,000 shares in 1966, compared with $2.68 on 14,940,000 shares last year. On the 18,129,000 shares outstanding at October 31, 1966 net income was $2.50 per share.

Before commenting in further detail on the year's operations and on significant environmental factors in our various markets it is necessary to record a major development in our organizational structure which is subsequently reflected in certain charts and in the text of this report.

In the 1959 annual report we informed shareholders of the adoption of a new form of management organization designed to meet the needs of a company whose operations were expanding and becoming increasingly international in scope. The structure provided decentralized management for our activities in specific countries or geographical areas through local operations units; it also provided for centralized direction, integration and coordination of overall policies and programs through the president and a corporate management group of senior functional officers and staff specialists.

Over the past seven years additional operations units — Italy, Brazil and South Africa — have been established but the form of organization has remained substantially unchanged. By early 1965 it had become apparent that diversification of product lines, increasing dispersal of territorial operations, and the greater size and scope of the company would require the evolutionary development of a different management structure. Accordingly, after preparatory adjustments carried out during the past twelve months, the new basic structure was established at the close of this fiscal year.

This new structure retains the essential concept of decentralized local management, together with overall planning, coordination and direction by a corporate general staff reporting to the president, but in addition provides for the management of each of the three major product lines of our business — farm machinery, diesel engines and industrial and construction machinery — by a group vice president with world-wide responsibilities.

Concurrently the organization of operations units and their management is being progressively separated by product groups. The Engines Group, customarily referred to as the Perkins group of companies has, in effect, for some years existed as a separate entity. An Industrial and Construction Machinery Group is now established for North America

with its own manufacturing and marketing organization and further separation will progressively take place in other geographic areas over the next several years as appropriate. The new structure concentrates major attention, and individual management leadership and direction, upon the activities essential to the success of each product group. It will enable your company to identify more effectively opportunities for further growth and profitability.

The foregoing structural changes are reflected under "Corporate Management" on page 31, and in the separation of "Net Sales by Products" into farm machinery, engine, industrial and construction machinery, and parts in the chart on page 25 and in the graph on page 7.

About 72 per cent of the company's consolidated sales in 1966 were derived from farm machinery. On balance, basic needs for farm machinery in free world markets continued strong and when reasonably firm estimates for world-wide industry sales for the past year are available we believe they will show a continuation of the significant annual increases in dollar value that have taken place in each of the past ten years. Our estimates indicate that over the last five years industry sales in North America have increased about 38 per cent, about 20 per cent in developed countries outside of North America, and about 60 per cent in developing countries. Within these overall favourable trends there are, however, always some adverse factors and special problems in certain markets, and this was particularly true in 1966.

In the United States and Canada markets continued buoyant throughout the year reflecting generally good crops and increasing demand for larger world food supplies as grain and food stocks in the hands of major producing countries were sharply reduced. MF sales of farm machinery in the United States rose 29 per cent. In our North Central Division which covers primarily the corn belt, and includes the Des Moines branch, sales increased about 50 per cent. We believe that the move to Des Moines last year of the executive offices of Massey-Ferguson Inc. has been a factor contributing to the strengthening of our activities in this important market.

In our major farm machinery markets outside of North America those of France and Italy were favourable to buoyant with sales increases in excess of 10 per cent. In Germany sharply higher interest rates reduced industry demand and company sales were at the same level as last

MF introduced in 1966 a new, large-capacity pull-type combine, the MF 405. Powered by a multi-purpose tractor of the MF 1100 or MF 1130 class, the harvester can be equipped with either a 12-foot cutting table or a pick-up (as shown) to handle swathed grain.

year. Although full year sales in the United Kingdom were ahead about 14 per cent, the impact of governmental economic policies substantially reduced demand during the final quarterly period. Continued drought in South Africa brought about a sales decline; drought was also an adverse factor in Australia but a return to good weather in the final period improved sales to the 1965 level. In export markets sales in aggregate were about $150.0 million, an increase of 16 per cent over last year. The tight money conditions prevalent in many countries had adverse effects, but on balance, export markets continued favourable.

On pages 8 and 9 special comment is made on the activities of the newly established Industrial and Construction Machinery Group, outlining the nature of the product line and noting a number of new products now being introduced into various markets. Sales for 1966 reached a record $75.0 million, (exclusive of parts) an increase of 27 per cent over last year. The annual increase in each of the last five years shown on page 27 is most encouraging and is an indication, we believe, of the considerable growth possibility of this increasingly important part of your company's operations. A major part of ICM volume is currently obtained in North America and sales here were well ahead of last year; there were also large percentage increases in France, Australia and in export markets. It is noteworthy that the excellent progress made this year was achieved despite adverse environmental conditions with record low post-war housing starts in North America and depressed residential building in Europe.

Sales by the Engine Group for agricultural, automotive, industrial and marine use, exclusive of engines supplied to Massey-Ferguson, set a new record of $98.9 million, an increase of $4.0 million over last year. The larger part of these sales was achieved in Europe, but sales in North America continue to show steady growth. High interest rates and related problems in certain markets had a restraining influence during 1966 on engine sales.

The six-cylinder (6.354) engine continues to be increasingly accepted in all markets. The new V-8 (V8 .510) engine is being supplied to customers in pilot quantities with the new high-volume production line coming into operation later this year. It is expected that this engine will achieve good acceptance in the North American market.

Sales of metal and wood furniture products have grown steadily and, with an 18 per cent increase this year, have exceeded $10.0 million for the first time. J. W. Vingoe, President of the two companies manufacturing these products was also appointed Vice President of Massey-Ferguson Industries Limited during the year.

Farm machinery products introduced during 1966 reflect two main trends — the use of more powerful units in farming and narrow-row cultivating. The MF 405 pull-type combine, primarily for the wheat areas of Western Canada, and the MF 57 plow, a basic tillage tool with a wide application in soil conservation, are designed for the larger tractors. A high-speed, narrow-row planter, the MF 46, meets special needs in the Corn Belt. These products are illustrated on page 10.

The new tractor line with Pressure Control, introduced in volume in the second half of 1965, continued to demonstrate its outstanding technical excellence and wide acceptance. Performance reports consistently have demonstrated the additional horsepower and versatility that becomes available through the extension of Ferguson System principles and of hydraulics. Published test reports by the National Institute of Agricultural Engineering in the United Kingdom and by the National Consumer Testing Institute in the United States confirm that Pressure Control is a most significant development in tractor engineering. Your company continues to be the largest world manufacturer of tractor units by a substantial margin and it is noteworthy that in the United Kingdom during the recent period of reduced industry demand, our tractor market penetration exceeded 42 per cent, the highest in many years. Moreover, while retaining our traditionally high percentage of the light tractor market, we are also making significant penetration gains in the heavier tractor market.

A number of important projects and activities have been commenced or completed during the year. The arrangements, referred to in last year's report, to increase production capacity at Peterborough and Bagington in the United Kingdom, Beauvais and Marquette in France, Sao Paulo in Brazil, and Des Moines in the United States, have either been completed or are soon to be.

Important additions to manufacturing facilities during 1966 already initiated or authorized include a factory at Aprilia south of Rome, Italy, for the manufacture of industrial and construction machinery; a new highly mechanized foundry in Sunshine, Australia; an additional plant in Detroit, U.S.A. to replace the Detroit Transmission and Axle Plant which is no longer adequate to provide the volume of heavy tractor components needed to meet the demand of the North American markets; and a tractor plant in Queretaro, Mexico. The company has instituted the latter production facility in conformity with Mexican government policy, thereby ensuring a continuation of supplies of MF farm machinery to our well-established dealer organization in Mexico. W. Reed-Lewis, formerly assistant to vice president corporate marketing, has been appointed President, Massey-Ferguson de Mexico S.A. de C.V.

It was noted in last year's report that negotiations to acquire a substantial interest in Motor Iberica S.A., a Spanish manufacturer, were in progress. These negotiations were completed just after the close of the fiscal year, culminating in the amalgamation of Motor Iberica S.A. and its subsidiaries with Perkins Hispania S.A. and Motorizacion

Agricola, S.A., a Spanish manufacturer of combines in which Massey-Ferguson held a minority interest. Massey-Ferguson now has an interest of 36.6 per cent of the voting stock in the amalgamated company which continues under the name Motor Iberica S.A. The new combined company will have a wide range of products including trucks, agricultural and industrial tractors, combines, other agricultural and industrial equipment and diesel engines. The turnover of the combined company was in excess of $50.0 million in 1966.

In 1966 the funds from operations reached $72.5 million, substantially above the level of the previous two years. As forecast in last year's report, capital expenditures also increased and were $50.8 million compared with $47.0 million last year. These expenditures were related to the expansion of production facilities already referred to, and to modernization and improvement of production machinery and equipment and distribution facilities in all areas of the company's operations. It is anticipated that capital expenditures during 1967 will be at the same high level as last year to provide for the completion of the expansion projects started in 1966, for the further addition to facilities mentioned earlier in this report and for the continuing replacement and improvement of equipment and facilities currently in operation.

Two major financing actions were completed during the fiscal year. On December 28, 1965 Massey-Ferguson Finance Corporation issued long term notes maturing in the fiscal years 1977 to 1986 in the amount of $25.0 million U.S. funds. On March 31, 1966 your company completed the issuance of 3,027,985 treasury shares at a price of $26.00 Canadian funds or $24.25 U.S. funds pursuant to an offering to the shareholders of transferable rights to subscribe to one common share for each five common shares held. The proceeds to the company, after payment of underwriters' commissions and other expenses of the issue, amounted to $76.5 million in Canadian funds.

Apart from industry-wide strikes in Italy, labour relations were generally stable throughout the year. In North American operations, production workers were under 3-year contracts that expire late in 1967. Early in the year national wage and salary settlements were negotiated by the company in the United Kingdom. Local 3-year term agreements are in effect for hourly-rated employees at Peterborough, Manchester and Kilmarnock. The Incomes and Prices "freeze" imposed by the British Government in July effectively proscribed most normal wage and salary adjustments and increases due under term agreements have been postponed. In Australia, the term agreement with production workers was renewed and the minority craft unions for the first time agreed to be bound by its provisions. An industry-wide agreement in South Africa, terminating in the last quarter of 1967, was effective during the year but unions are pressing for re-opening in the face of cost-of-living rises. In France, no major labour disputes arose. As a result of a failure to renew an industry-wide agreement in Italy, the Italian company, together with other private and government enterprises, suffered a series of brief national strikes starting in January. A settlement was however, reached in December 1966. In Germany, wages and salaries rose in January in accordance with the provisions of the industry-wide Metal Trades agreement which carries over into 1967. In Brazil, political and economic problems did not disrupt labour relations within the company.

In March, 1966, your Board regretfully accepted the request for early retirement of John H. Shiner, a Director and Vice President Marketing. His effective leadership over the past ten years of our overall marketing activity contributed substantially to the company's growth in this period. After the close of the year T. M. Ware, Chairman of the Board of International Minerals & Chemical Corporation, Skokie, Illinois, was appointed a Director.

A number of senior appointments resulted from institution of the new management structure, noted earlier in this report. K. C. Tiffany was appointed Senior Vice President and Vice President Finance and Administration. He was formerly Vice President Finance. John G. Staiger, formerly Vice President and General Manager, North American Operations was appointed Group Vice President Farm Machinery; John E. Mitchell, formerly Vice President Industrial and Construction Machinery was appointed Group Vice President Industrial and Construction Machinery; and Monty I. Prichard, Managing Director of F. Perkins Limited was appointed Group Vice President Engines. John J. Chluski, formerly Vice President Planning and Procurement, was appointed Vice President and General Manager Farm Machinery Group — North America, and succeeded Mr. Staiger as President of Massey-Ferguson Inc., and of Massey-Ferguson Industries Limited. Peter J. Wright, formerly Corporate Marketing Manager was appointed Vice President Marketing — Farm Machinery Group, and Sidney R. Wilson, formerly Comptroller, was made Corporate Director Logistics.

With regard to prospects for 1967 there are, as noted in our quarterly statement to shareholders on December 27, a number of economic and political uncertainties which make forecasting difficult during these early months of the new fiscal year. There are vulnerabilities in certain markets in Europe. In Germany the unfavourable economic climate of the latter half of 1966 will probably not show significant improvement this year. The disastrous recent floods and damage over important areas in Italy may set back the marked strengthening of the economy that had been taking place earlier last year. There are obvious economic uncertainties in the important United Kingdom farm machinery

market and we do not expect clarification of the situation there before February or March 1967.

On the positive side the market in France appears strong, and export territories, on balance, show no overall change at this time from the satisfactory levels of the last year or so. Given a break in the drought in South Africa some sales recovery could occur, while in Australia with the long drought now broken and good crops in prospect, the outlook is much more favourable. In the important North American market it is the consensus that there will be a continuation of strong demand and that sales for 1967 will somewhat exceed the high levels attained this year.

Although we do not anticipate any major improvement in the near future in the somewhat static industrial economic climates in some markets important to industrial and construction machinery, we nevertheless expect that increased product strength and the more concentrated management attention which the new organization structure provides will result in a further sales increase in 1967. The engine group is also expected to continue its growth of the past several years.

In 1967 we are, therefore, proceeding on manufacturing and marketing programs for all three product groups which, unless the vulnerabilities are greater than anticipated at this time, should result in improved consolidated sales and earnings for the current fiscal year. Sales for the first quarter, however, for the reasons already indicated, may not reach the 1966 level.

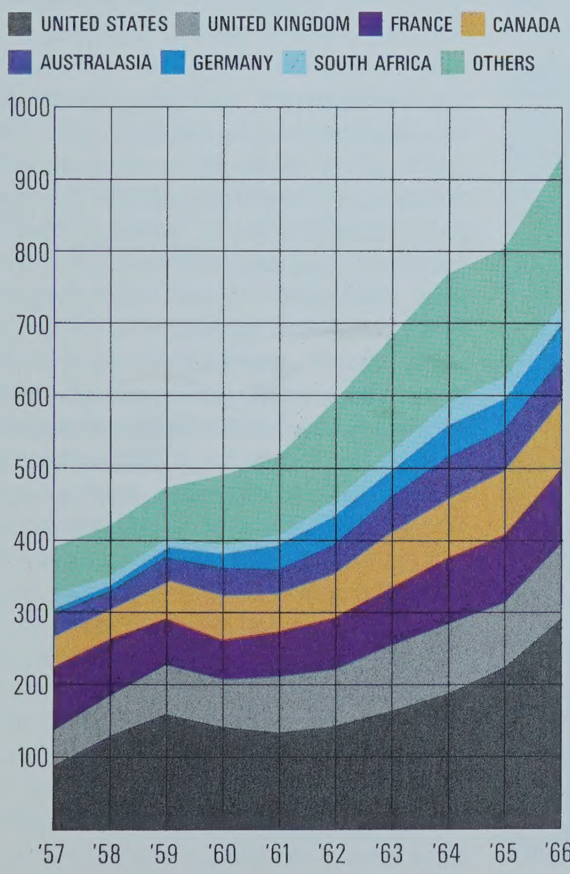
We extend our sincere appreciation to our business associates in Brazil, India, South Africa, Mexico and Spain, and to our employees, distributors and dealers throughout the world for their constructive support throughout the past year.

Albert A. Thornbrough

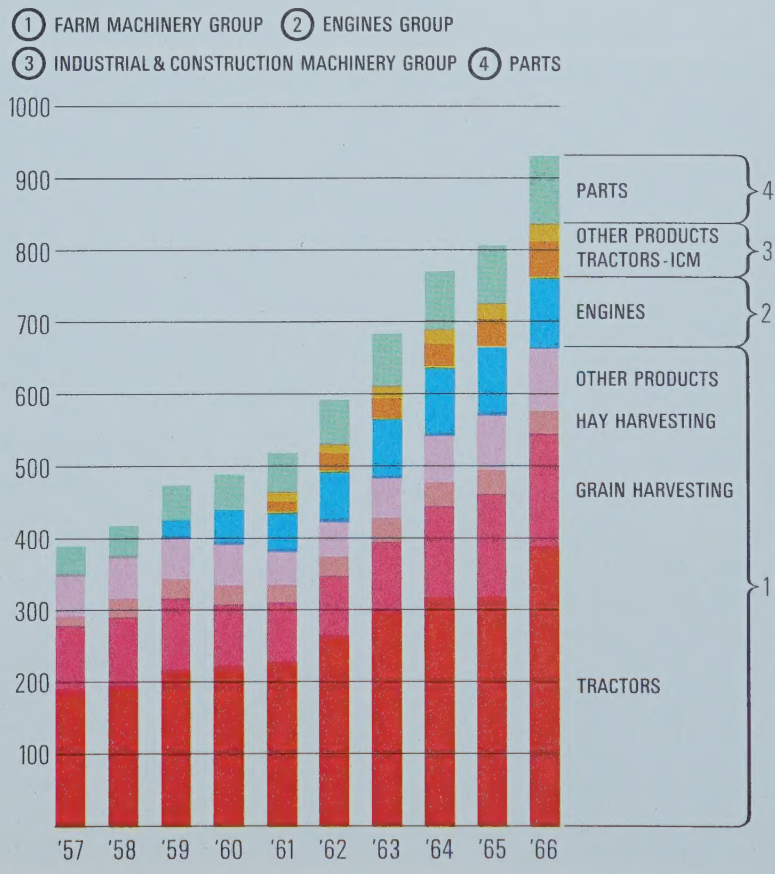
President and
Chief Executive Officer

Toronto, January 27, 1967

NET SALES BY MARKETS
(MILLIONS OF DOLLARS)



NET SALES BY PRODUCTS
(MILLIONS OF DOLLARS)



MF INDUSTRIAL & CONSTRUCTION MACHINERY

ICM SALES INCREASE 27 PER CENT TO $75 MILLION

A separate Industrial and Construction Machinery Group (ICM) was established in 1966 to ensure the development and expansion of Massey-Ferguson's business in this product area. ICM products are used largely in material handling, an essential part of construction and forestry work, and in excavation. The separation of the company's farm machinery and ICM business is considered vital to meeting the specialized needs of markets and customers in the industrial field.

The new group consists of a Group Vice President, with world-wide responsibility, supported by engineering and marketing staff. Separate ICM units will be progressively developed in each major market of the world, and distribution is being expanded, with emphasis on parts and service, to exploit the growing line of MF industrial and construction machinery products.

In 1966 ICM sales, exclusive of service and parts, totalled $75 million, showing an increase of $16 million, or 27 per cent, over 1965. The major growth occurred in North America, and there were also significant increases in export territories, Australia and France. Continued growth is expected in 1967 through increased market penetration and new product introductions.

In North America, the MF Treever marked the entry of Massey-Ferguson into the forestry equipment field. This unit is a four-wheel drive, rough terrain machine, built entirely of MF power-train components. It gathers, loads, hauls, unloads and stockpiles in woodland operations — something quite new in material handling.

MF fork lift with 6000 lb. lift capacity.

MF 3366, a 75 HP crawler tractor available in loader and bulldozer models.

Other major products introduced in North America in 1966 were the MF 2500 fork lift, the MF 3165 turf tractor and the MF 222 and MF 232 backhoes. The MF 2500 fork lift is a rough terrain unit with a lift capacity of 6,000 lbs. and lift heights of up to 21½ feet. Typical products handled by the new fork lift are logs, lumber, brick and concrete block. Since it can be towed at highway speeds, it is frequently used to load a delivery truck at a storage yard or warehouse and is then towed to the construction site where it is used in unloading operations and other job-site material handling.

The MF 3165 turf tractor is a 60 HP unit designed to pull giant gang mowers and rotary cutters. Like the small MF 2135 turf tractor, it has excellent "over the road" speed and a very low centre of gravity for maximum stability on steep slopes.

Two new backhoes were introduced in North America in 1966 — the MF 222 fixed position, and the MF 232 hydraulic slide positioning backhoe. These units are available in a range of digging depths up to 15 feet, and other customer benefits include hydraulic boom cushioning, finger-tip controls, dual chrome-plated cylinders and lifetime-lubricated swing assemblies. The backhoes are designed to allow easy installation of operator cabs, and a single seat accommodates both backhoe and loader operations.

Two new tractors were introduced into world markets from our United Kingdom plant in 1966 — the MF 3303 and MF 3305; both feature heavy-duty axles and optional manual or hydraulic reversing transmissions.

These two new tractors are used as carriers for the entirely new MF 250 loader and MF 252 digger. The loader has superior bucket rollback and improved forward reach and dump clearance, as well as mechanical self-levelling. The digger can be hydraulically positioned in order to dig flush against walls and other obstructions. The combination of MF 3303/5 tractors and the MF 250 loaders and MF 252 diggers form new work units unmatched in output and performance in the construction industry.

ICM operations in Italy continue to manufacture the MF 2244 crawler which has been introduced in all world markets. Its success has led to the development of the MF 3366, a 75 HP crawler tractor built in both loader and bulldozer models. This machine was recently released to operations units following extensive testing internationally, and it is a forerunner of MF's entry into heavier construction machinery.

A new manufacturing plant of 350,000 square feet, situated on a 62-acre site south of Rome, is now under construction. It is planned that much of MF's new line of industrial and construction machinery will be built at this location. Major engineering and manufacturing facilities for the company's industrial and construction machinery business are now located in Aprilia, Italy; Manchester, England; and Detroit, U.S.A. The engineering activities are co-ordinated through the corporate ICM engineering staff, enabling MF to design machinery for specialized markets throughout the world. Manufacturing operations are similarly co-ordinated to obtain the greatest degree of efficiency and component interchangeability.

The MF Treever marks company's entry into forestry equipment field.

MF 232 hydraulic slide positioning backhoe and front-end loader combination.

The MF 46 planter was introduced to meet the growing need for a high-speed narrow-row corn and soybean planter. It is available as a 4-row model with 40 inch-row spacing and as a 6-row unit with 30 inch-row spacing. The planter can be equipped with a fertilizer attachment (shown) to give precise application of dry fertilizer. Herbicide and insecticide attachments are also available to give the new seedlings protection against insects and weeds.

The MF 57 mounted reversible moldboard plow designed for tractors in the 50 to 100 h.p. class, will be available for 1967 sales. This plow is a basic 3-bottom unit but it can be extended to 4 bottoms. Reversible plows are used for plowing irrigated land and for soil conservation on hillsides, and terraced and contour fields.

The MF 80 tool carrier, equipped with 4 ridger bottoms, is preparing soil here for ridge planting. Used mainly in cotton, corn, sugar beet, sugar cane and vegetable growing in many areas of the world, these versatile tool carriers can be adapted quickly to work the soil, bed-up, plant or fertilize, and then for cultivating later on.

Massey-Ferguson Limited

CONSOLIDATED STATEMENT OF INCOME

Year ended October 31, 1966 (with comparative figures for 1965)

	1966	1965
SALES AND OTHER INCOME:		
Net sales	$932,121,997	$808,494,623
Interest, finance charges and miscellaneous income	18,713,234	14,049,274
Profit on disposal of capital assets	388,399	371,526
TOTAL SALES AND OTHER INCOME	951,223,630	822,915,423
Deduct:		
Cost of goods sold	722,250,641	630,736,484
Marketing, general and administrative expenses	115,049,883	101,435,100
Engineering expenses	21,332,558	19,141,200
Interest on long term debt	11,487,441	8,718,560
Interest on bank and other short term debt	17,688,443	15,429,960
Exchange adjustments	(499,342)	(992,294)
Minority interest	798,211	899,061
	888,107,835	775,368,071
PROFIT BEFORE INCOME TAXES	63,115,795	47,547,352
Income taxes (Note 4):		
Before reduction due to tax credits	23,677,235	18,280,341
Tax credits	(5,800,000)	(10,800,000)
	17,877,235	7,480,341
NET INCOME FOR THE YEAR	$ 45,238,560	$ 40,067,011

Depreciation, and amortization of production tooling included above	$ 30,150,677	$ 25,990,424
Net income of North American finance subsidiaries consolidated above	$ 2,734,130	$ 2,284,289
Remuneration paid to the Company's directors, including directors holding salaried employment	$ 706,516	$ 814,282

(See accompanying notes to consolidated financial statements)

Massey-Ferg

(INCORPORATED UNDE

CONSOLIDATED

October 31, 1966 (with compa

ASSETS

	1966	1965
CURRENT ASSETS:		
Cash	$ 29,565,207	$ 8,988,952
Receivables (Notes 2 and 3)	292,129,830	245,648,715
Inventories, valued at the lower of cost or net realizable value —		
Raw materials and work in process	124,749,183	125,800,677
Finished goods	169,119,201	159,120,797
Total inventories	293,868,384	284,921,474
Prepaid expenses and other current assets	10,284,922	7,471,799
TOTAL CURRENT ASSETS	625,848,343	547,030,940
INVESTMENTS:		
Wholly owned finance companies, at equity in net assets (Note 1)	24,192,873	21,488,743
Associated companies, at cost	5,275,929	4,865,482
	29,468,802	26,354,225
FIXED ASSETS:		
Land	7,748,381	6,814,651
Buildings	100,357,715	88,871,726
Machinery and equipment	215,176,708	190,214,295
Production tooling	28,970,337	27,279,374
Total fixed assets, at cost	352,253,141	313,180,046
Less accumulated depreciation and amortization	172,826,860	153,066,004
	179,426,281	160,114,042
OTHER ASSETS AND DEFERRED CHARGES	11,026,457	8,085,381
	$845,769,883	$741,584,588

On behalf of the Board:

E. P. Taylor, Director

Albert A. Thornbrough, Director

son Limited

LAWS OF CANADA)

ALANCE SHEET

e figures at October 31, 1965)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965
CURRENT LIABILITIES:		
Bank indebtedness	$ 61,073,637	$ 85,390,373
Short term notes payable	9,834,396	15,449,128
Accounts payable and accrued charges (Note 3)	159,597,839	141,075,818
Income, sales and other taxes payable	18,591,719	16,742,933
Dividends payable	4,532,328	3,764,756
Advance payments from customers	7,265,962	9,768,585
TOTAL CURRENT LIABILITIES	260,895,881	272,191,593
DEFERRED INCOME TAXES (Note 4)	1,333,924	1,476,860
LONG TERM DEBT:		
Bonds, debentures, notes and loans (Note 6)	147,104,198	136,216,214
Less instalments maturing within one year, included with accounts payable and accrued charges	3,374,738	3,062,454
	143,729,460	133,153,760
MINORITY INTEREST IN SUBSIDIARIES:		
Share capital	9,337,419	9,764,848
Retained earnings	1,832,946	1,560,722
	11,170,365	11,325,570
SHAREHOLDERS' EQUITY:		
Share capital (Note 7)	183,326,443	103,559,481
Retained earnings (including retained earnings of unconsolidated finance companies: October 31, 1966 — $8,299,773; October 31, 1965 — $5,595,643) (Note 5)	245,313,810	219,877,324
	428,640,253	323,436,805
	$845,769,883	$741,584,588

(See accompanying notes to consolidated financial statements)

Massey-Ferguson Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended October 31, 1966 (with comparative figures for 1965)

	1966	1965
Balance at beginning of year	$219,877,324	$193,294,588
Add:		
Net income for the year	45,238,560	40,067,011
	265,115,884	233,361,599
Deduct:		
Cash dividends on common shares	17,358,782	13,484,275
Commissions and other expenses relating to issue of common shares (less income tax reductions of $193,347)	2,443,292	
	19,802,074	13,484,275
Balance at end of year	$245,313,810	$219,877,324

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended October 31, 1966 (with comparative figures for 1965)

	1966	1965
WORKING CAPITAL AT BEGINNING OF YEAR	$274,839,347	$265,072,242
SOURCE OF FUNDS:		
Net income for the year	45,238,560	40,067,011
Add (deduct):		
Depreciation, and amortization of production tooling	30,150,677	25,990,424
Equity in earnings of finance companies in excess of dividends received	(2,704,130)	(2,254,289)
Decrease in deferred income taxes	(142,936)	(3,702,760)
FUNDS FROM OPERATIONS	72,542,171	60,100,386
Issue of common shares, less expenses of issue	77,323,670	6,431,670
Issues of long term debt	19,352,894	32,209,578
Net book value of fixed asset disposals	1,333,428	1,736,183
Reduction in notes receivable from finance companies		3,225,000
Reduction in investment in associated companies		87,996
TOTAL	170,552,163	103,790,813
USE OF FUNDS:		
Additions to fixed assets, including fixed assets of acquired companies	50,796,344	47,050,505
Retirement of long term debt and decrease in minority interest in subsidiaries	8,932,399	29,681,813
Payment of common share dividends	17,358,782	13,484,275
Increase in investment in associated companies	410,447	
Increase in other assets and deferred charges	2,941,076	3,807,115
TOTAL	80,439,048	94,023,708
Increase in working capital	90,113,115	9,767,105
WORKING CAPITAL AT END OF YEAR	$364,952,462	$274,839,347

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 1966

1. BASIS OF CONSOLIDATION AND EXCHANGE TRANSLATION

The accompanying financial statements consolidate the accounts of all subsidiary companies except for the assets and liabilities of the two wholly-owned finance companies in North America which are not consolidated because of the different nature of their business. A combined statement of assets and liabilities of the two finance subsidiaries is set out separately on page 18. The investment in these companies is carried in the consolidated balance sheet at the equity in their net assets; their earnings have been taken up in the accompanying consolidated statement of income.

The statements of subsidiary companies outside Canada have been translated into Canadian dollars as follows: current assets, current liabilities and long term debt at exchange rates prevailing at the end of the period; investments, fixed assets and depreciation provisions on the basis of rates prevailing at date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates during the period. Exchange gains or losses from such translation practices are reflected in the consolidated statement of income.

2. RECEIVABLES

A substantial portion of the receivables consists of non-interest bearing notes received from dealers. Approximately $39,000,000 or 14% of the 1966 notes and accounts receivable mature beyond one year, but are included in current assets in accordance with accounting practice in the industry.

Receivables are shown net of the following provisions:

	1966	1965
Allowance for doubtful notes and accounts	$ 4,943,914	$ 4,193,191
Returns and other allowances	11,594,519	8,476,986
Unearned interest	1,136,498	1,090,884
Total	$17,674,931	$13,761,061

3. CURRENT ACCOUNT BALANCES WITH FINANCE COMPANY SUBSIDIARIES

Included in receivables are the following amounts due from the North American finance companies: 1966 — $6,045,177; 1965 — $681,430. Accounts payable and accrued charges in 1965 included an amount of $1,641,994 due to the North American finance companies.

4. INCOME TAXES

The tax credits shown for 1966 and 1965 (the majority of which are non-recurring) principally represent tax reductions resulting from the carry-forward of prior years' losses in certain companies, credits resulting from investment allowances and, in 1965, credits resulting from organizational and other changes in certain subsidiary companies. At October 31, 1966 certain subsidiary companies had losses remaining available to be carried forward; at current tax rates the tax credits which would result from the carry-forward of these losses will, if realized, amount to approximately $3,500,000.

Certain subsidiary companies claim capital allowances for income tax purposes in excess of the depreciation provisions recorded in the accounts. The income tax reductions applicable to such extra allowances are not reflected in income but are credited to "Deferred Income Taxes" and are brought into income in subsequent years when total allowances available for tax purposes are less than the depreciation provisions recorded in the accounts.

5. DIVIDEND RESTRICTIONS

The loan agreements of certain subsidiary companies contain restrictions on the payment of dividends. Under the most restrictive of these approximately $60,000,000 of consolidated retained earnings is not available for the payment of dividends to shareholders of Massey-Ferguson Limited. Of the remainder, approximately $119,000,000 represents the unrestricted portion of profits of various subsidiaries outside North America which have not been remitted to Canada.

Transfers of earnings from companies outside North America are generally subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable. Dividend payments from subsidiaries in a number of countries are subject to withholding taxes. As substantially all the unremitted accumulated earnings of foreign subsidiaries have been re-invested in working capital and fixed assets and as the amount of earnings which will be transferred in the future and the rates which will be applicable at that time are not known, such taxes are reflected in consolidated earnings only at the time of actual dividend remittance.

6. LONG TERM DEBT

(Repayable in currency of country indicated; maturity dates shown represent fiscal years ending October 31)

	October 31, 1966	October 31, 1965
Massey-Ferguson Limited (Canada):		
4½% Promissory note maturing 1967		$ 5,375,000
Massey-Ferguson Industries Limited (Canada):		
5⅞% Secured promissory notes maturing 1970-85	$ 22,000,000	22,000,000
Massey-Ferguson Inc. (U.S.A.):		
5¼% Promissory notes maturing 1967-83	35,781,100	37,625,000
5⅞% Subordinated notes maturing 1971-84	28,149,240	27,993,000
Massey-Ferguson Holdings Limited (United Kingdom):		
8½% Bank loans maturing 1968-71 (interest charged at 1½% above the Bank of England rediscount rate with the provision that the minimum interest rate shall not be less than 5½%)	30,763,200	27,126,000
Massey-Ferguson S.A. (France):		
6%-7% Mortgage loans maturing 1967-75	7,390,702	4,832,235
Massey-Ferguson G.m.b.H. (Germany):		
2½%-3½% Mortgage loans maturing 1967-98	3,531,614	3,743,811
2½%-7% Loans maturing 1967-75	415,131	465,468
Massey-Ferguson (Australia) Limited:		
5¾% First mortgage debenture stock maturing 1970	6,010,000	6,005,000
Massey-Ferguson (South Africa) Limited:		
8¼% Loans maturing 1967 (interest charged at 2¼% above the Reserve Bank rate)	300,600	300,200
7% First mortgage debenture stock maturing 1968-82	751,500	750,500
Massey-Ferguson Services N.V.:		
6½% Bank loan maturing 1968-71 (repayable in Netherlands guilders to the extent of approximately $9,175,000 with the remainder repayable in U.S. dollars)	12,011,111	
	$147,104,198	$136,216,214

Sinking fund requirements and debenture and promissory note maturities during the next five years are as follows:

1967 — $ 3,375,000; 1968 — $16,807,000; 1969 — $14,156,000;
1970 — $21,399,000; 1971 — $15,867,000.

7. SHARE CAPITAL, STOCK OPTIONS AND RESERVATION OF SHARES

(a) The authorized share capital at October 31, 1966 consisted of 20,000,000 common shares without nominal or par value.

(b) Changes in common share capital during the year:

	Number of Shares	Dollars
Outstanding October 31, 1965	15,059,025	$103,206,321
Shares issued under rights offering	3,017,005	78,655,983
Shares issued to holders of stock options as a result of rights offering	10,980	285,480
Shares issued under employee options at $18.50 and $30.75 per share	42,304	825,499
Outstanding October 31, 1966	18,129,314	182,973,283
Add shares remaining to be issued in 1968 in connection with the 1965 purchase of assets of Badger Northland Inc. (subject to completion of certain warranties).	12,000	353,160
	18,141,314	$183,326,443

(c) Employee stock options were outstanding at October 31, 1966 with respect to an additional 98,116 common shares exercisable by various dates up to 1972 as follows:

Year Granted	Option Price	Outstanding October 31, 1965	Changes During Year: Granted	Changes During Year: Exercised	Outstanding October 31, 1966
1964	$18.50	122,220		38,804	83,416
1965	30.75	11,000		3,500	7,500
1966	32.25		2,200		2,200
1966	33.63		2,000		2,000
1966	35.94		3,000		3,000
Total		133,220	7,200	42,304	98,116

Of the outstanding options 50,000 were for directors and officers. A further 226,600 unissued common shares are reserved for possible future employee options.

8. CONTINGENT LIABILITIES, COMMITMENTS, ETC.

(a) The totals of notes receivable discounted were as follows: October 31, 1966 — $47,500,000; October 31, 1965 — $43,000,000.

(b) Guarantees of short term notes payable by North American finance companies amounted to $20,755,300 at October 31, 1966 and to $41,078,125 at October 31, 1965. Under the loan agreement relating to the subordinated notes of Massey-Ferguson Finance Corporation, Massey-Ferguson Limited has agreed that it will maintain assets in that company in certain specified relationships with that company's indebtedness.

(c) Approved capital expenditure programs outstanding totalled approximately $61,000,000 at October 31, 1966 (including commitments of approximately $36,000,000). These include the acquisition, subsequent to the year end, of a minority interest in Motor Iberica S.A., a Spanish truck, diesel and farm and light industrial equipment manufacturer.

(d) Pension costs (including payments to trustees on behalf of employees covered by trusteed pension plans) are charged against income in the year of payment. Past service costs in most trusteed plans are being funded or amortized over periods not exceeding thirty years. The total unfunded past service liability for all trusteed plans in effect at October 31, 1966 is estimated at approximately $41,000,000.

Massey-Ferguson Finance Company of Canada Limited
Massey-Ferguson Finance Corporation

COMBINED STATEMENT OF ASSETS AND LIABILITIES

October 31, 1966 (with comparative figures at October 31, 1965)

ASSETS	**1966**	1965
Cash	$ 1,226,245	$ 326,918
Retail notes receivable (Note 2)	165,152,805	148,953,376
Current account receivable from Massey-Ferguson Industries Limited		1,641,994
Prepaid expenses	3,083,957	2,308,845
	$169,463,007	$153,231,133
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short term notes payable — Banks	$ 66,701,318	$ 59,380,000
— Others	20,755,300	41,078,125
Accrued charges	1,540,722	720,754
Income taxes	4,149,617	3,382,081
Current accounts payable — Massey-Ferguson Inc.	4,074,722	681,430
— Massey-Ferguson Industries Limited	1,970,455	
	99,192,134	105,242,390
Long term debt (Note 3)	46,078,000	26,500,000
Equity of Massey-Ferguson Limited and its subsidiaries:		
Interest bearing notes payable	5,000,000	5,000,000
Share capital	10,893,100	10,893,100
	15,893,100	15,893,100
Retained earnings	8,299,773	5,595,643
	24,192,873	21,488,743
	$169,463,007	$153,231,133

Notes:

1. The above financial statement combines the accounts of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation (U.S.A.). The assets and liabilities of the United States company are included on the basis of current exchange rates, and its share capital on the basis of rates prevailing at date of issue. While the books of both companies are maintained, and their tax returns are filed, on a cash receipt and disbursement method, the above combined statement of assets and liabilities incorporates adjustments to reflect the financial position of the companies on an accrual basis of accounting.

2. Approximately $111,308,000 or 58% of the notes receivable mature beyond one year. Receivables are shown net of the following provisions:

	1966	1965
Unearned interest and discount	$25,713,225	$20,315,784
Allowance for doubtful accounts	1,915,596	1,764,725
Total	$27,628,821	$22,080,509

3. Long Term Debt:
(Repayable in currency of country indicated; maturity dates shown represent fiscal years ending October 31)

	October 31, 1966	October 31, 1965
Massey-Ferguson Finance Company of Canada Limited:		
5¾% Promissory note maturing 1967		$ 5,000,000
6% Promissory note maturing 1968 (subject to adjustment in prime Canadian rate)	$ 5,000,000	
Massey-Ferguson Finance Corporation (U.S.A.):		
4½% — 5% Promissory notes maturing 1968		10,750,000
5½% Subordinated notes maturing 1971-80	10,810,000	10,750,000
5¼% Senior notes maturing 1977-86	27,025,000	
5% Senior note maturing 1971	3,243,000	
TOTAL	$46,078,000	$26,500,000

Instalments due and maturities during the next five years are as follows: 1967—Nil; 1968—$5,000,000; 1969—Nil; 1970—Nil; 1971—$4,323,000. In connection with the aforementioned debt, dividends may not be paid by Massey-Ferguson Finance Corporation out of retained earnings accumulated prior to October 31, 1965 ($4,781,000).

Clarkson, Gordon & Co.
Chartered Accountants
Toronto,
CANADA

To the Shareholders of
Massey-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1966, and the consolidated statements of income, retained earnings and source and use of funds for the year ended on that date. We have made a similar examination of the combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1966. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the statements mentioned above present fairly (a) the financial position of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1966 and the results of their operations and the source and use of funds for the year ended on that date and (b) the combined assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1966, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co

Toronto, Canada,
December 19, 1966.

Chartered Accountants

FINANCIAL REVIEW

BASIS OF CONSOLIDATION

The world wide results of the operations of the company and all its subsidiaries are included in the 1966 Consolidated Statement of Income. The companies consolidated are the same as in 1965 with the addition of two newly-acquired smaller companies; one in Australia and one in Brazil. As in prior years, "subsidiary companies" are those in which the company owns more than half of the voting shares. Associated companies and the wholly owned North American finance companies have been shown as investments on the consolidated balance sheet. The assets and liabilities of the finance companies have not been consolidated since they are significantly different in character from those of the manufacturing operations. A combined statement of the assets and liabilities of the finance companies is shown on page 18 of this report. The investment in associated companies is carried at cost, whereas the investment in the finance companies is carried at the equity in their net assets; earnings of the finance companies have been taken up in the consolidated statement of income.

RIGHTS ISSUE

During March 1966, the company issued to the shareholders transferable rights to subscribe to one share for every five shares then outstanding, at the price of $26 (or U.S. $24.25) per share. As a result of the exercise of such rights, 3,027,985 shares were issued of which 10,980 shares were issued to employees under provisions of stock option agreements. The total shares issued resulted in a concomitant capital increase amounting to $78,941,463. Commission and other expenses of the issue, totalling

STATISTICAL SUMMARY *(All dollars in millions except per share statistics)*

YEAR	BUSINESS ACTIVITY				OPERATING SUMMARY				
	Average Number of Employees	Total Assets	Net Sales	Asset Turnover	Gross Profit	Gross Margin	Before Income Taxes and Exchange: Profit	Before Income Taxes and Exchange: Margin	Income Taxes
1957	21,481	$286.1	$390.8	136.6%	$ 61.9	15.8%	$ 3.6	0.9%	$(5.3)
1958	23,808	310.0	420.2	135.5	78.9	18.8	23.1	5.5	(8.7)
1959	29,955	465.3	475.5	102.2	96.9	20.4	29.0	6.1	(6.1)
1960	35,376	458.0	490.4	107.1	99.9	20.4	16.8	3.4	(6.6)
1961	38,397	507.9	519.3	102.2	108.2	20.8	20.4	3.9	(10.0)
1962	39,806	533.5	596.1	111.7	127.8	21.4	30.0	5.0	(14.3)
1963	41,089	560.8	685.7	122.3	154.7	22.6	41.7	6.1	(17.7)
1964	42,927	621.4	772.0	124.2	182.0	23.6	62.8	8.1	(15.9)
1965	45,667	741.6	808.5	109.0	177.8	22.0	46.6	5.8	(7.5)
1966	**46,242**	**845.8**	**932.1**	**110.2**	**209.9**	**22.5**	**62.6**	**6.7**	**(17.9)**

YEAR	LIQUIDITY		CHANGES IN FIXED ASSETS				SOURCE OF ASSETS		
	Net Current Assets	Current Ratio	Depreciation of Buildings and Equipment	Amortization of Tooling	Total Depreciation and Amortization	Additions	Liabilities: Current	Liabilities: Other	Shareholders' Equity
1957	$156.4	3.5	$ 5.9	$2.5	$ 8.4	$12.2	21.8%	27.5%	50.7%
1958	153.5	2.8	6.4	2.2	8.6	16.3	26.5	24.0	49.5
1959	174.8	2.0	8.3	3.8	12.1	68.9	36.6	21.7	41.7
1960	175.6	2.1	13.4	5.4	18.8	16.9	33.8	22.3	43.9
1961	179.4	1.9	13.8	5.3	19.1	25.7	37.7	20.8	41.5
1962	189.7	1.9	15.3	4.9	20.2	21.6	38.2	20.0	41.8
1963	250.4	2.6	15.5	4.9	20.4	29.3	28.8	26.0	45.2
1964	265.1	2.4	17.0	6.0	23.0	40.7	29.6	23.7	46.7
1965	274.8	2.0	18.5	7.5	26.0	47.0	36.7	19.7	43.6
1966	**365.0**	**2.4**	**20.4**	**9.8**	**30.2**	**50.8**	**30.8**	**18.5**	**50.7**

$2,443,292 (net of related income tax reductions of $193,347), have been charged against consolidated retained earnings. Coincident with the rights issue, the company's shares were listed on the New York Stock Exchange, and are still also listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada and on The Stock Exchange, London, England.

WORKING CAPITAL

Working capital of $365.0 million showed an improvement of $90.1 million during 1966 compared to an improvement of $9.8 million in 1965. As shown by the Source and Use of Funds statement, the major reason for this improvement, apart from a $12.4 million increase in funds from operations, is the flow of funds from the issue of additional shares. The ratio of current assets to current liabilities improved to 2.4 to 1 compared with 2.0 to 1 last year.

Cash increased by $55.4 million. Receivables increased $46.5 million, resulting in a ratio of receivables to sales of .31 compared with .30 in 1965.

Increased emphasis on inventory control has resulted in more satisfactory levels of inventories in our major factories and an overall decrease in raw material and work in process compared to last year. Parts sales in 1966 were above 1965, however parts inventories (included in finished goods) at the end of 1966 were slightly below those at October 31, 1965. The improved management of these inventories as a result of the application of electronic data processing techniques is beginning to be evidenced. Due to sales in the final period of 1966 being somewhat below expectations, year-end inventories of finished goods were higher than those of 1965.

Bank indebtedness and short term notes payable were reduced by $29.9 million.

CAPITAL EXPENDITURES

During 1966, expenditures on capital facilities totalled $50.8 million, largely in the United Kingdom, France and North America. For the most part capital expenditures were

		SHAREHOLDERS' EQUITY		INCOME DISTRIBUTION				
Exchange	Net Income (Loss)	Total	Return on Equity	Dividends on Preferred Shares	Net Income (Loss) for Common Shares	Dividends on Common Shares	Income Retained	YEAR
$(3.0)	$(4.7)	$145.0	(3.2)%	$1.1	$(5.8)	$ 3.8	$(9.6)	1957
(1.4)	13.0	153.3	8.5	1.1	11.9	3.8	8.1	1958
(1.9)	21.0	193.9	10.8	1.1	19.9	4.7	15.2	1959
3.0	13.2	200.9	6.6	1.4	11.8	4.8	7.0	1960
4.8	15.2	210.8	7.2	1.4	13.8	4.9	8.9	1961
2.4	18.1	222.8	8.1	1.4	16.7	4.9	11.8	1962
0.1	24.1	253.5	9.5	1.4	22.7	6.6	16.1	1963
(1.9)	45.0	290.4	15.5	0.7	44.3	8.1	36.2	1964
1.0	40.1	323.4	12.4		40.1	13.5	26.6	1965
0.5	**45.2**	**428.6**	**10.6**		**45.2**	**17.4**	**27.8**	**1966**

SHAREHOLDERS			PER COMMON SHARE					
	Shares Outstanding							YEAR
Shareholders	Preferred	Common	Sales	Net Income (Loss)	Dividends	Income Retained	Equity	
35,398	243,646	9,519,155	$41.05	$(0.61)	$0.40	$(1.01)	$12.56	1957
34,024	242,570	9,552,248	44.00	1.25	0.40	0.85	13.39	1958
41,459	259,860	12,075,911	39.38	1.65	0.40	1.25	13.79	1959
42,171	259,665	12,098,471	40.54	0.97	0.40	0.57	14.34	1960
40,089	259,610	12,200,868	42.56	1.13	0.40	0.73	15.03	1961
40,359	254,834	12,268,599	48.59	1.36	0.40	0.96	15.97	1962
40,363	254,748	13,495,948	50.81	1.68	0.50	1.18	16.81	1963
33,799		14,820,038	52.09	3.04	0.57½	2.46½	19.60	1964
34,884		15,059,025	53.69	2.66	0.90	1.76	21.48	1965
40,186		**18,129,314**	**51.42**	**2.50**	**1.00**	**1.50**	**23.64**	**1966**

related to the completion of projects already initiated at the end of last year and referred to in last year's report.

Specifically, in the U.K., expanded tractor facilities near Coventry and engine facilities at Peterborough are nearing completion. The new office building has been occupied in Coventry and engineering and administration offices are under completion in Peterborough.

In France the expansion of tractor facilities at Beauvais and the modernization of the foundry, combine and baler facilities at Marquette were completed. The new office at Le Plessis-Robinson is nearing completion and is expected to be occupied in the spring of 1967.

In North America, expenditures covered a broad range of projects including new combine tooling, alterations to Des Moines' factory and general modernization of factory facilities. An expansion and modernization of our tractor axle and transmission facilities in the Detroit area has been authorized for implementation in 1967.

In Italy a new subsidiary has been formed to produce industrial and construction equipment; the new plant is under construction and is scheduled to come into operation by late 1967. Our Mexican sales company has been expanded into a full manufacturing operation. A plant is presently under construction in Queretaro, Mexico and is expected to come into operation early in the new year. Our Brazilian operations have been consolidated into new facilities acquired as the result of our purchase of Terral S.A. early in the year.

In Australia a new company was formed to take over the assets of a company manufacturing a variety of sugar cane equipment. In addition, construction was started on a new foundry which is scheduled for completion late in 1967.

In addition to direct purchases of capital assets, the company has considerable leasing expenditures, particularly in the data processing field. This equipment is being continuously updated and the latest available "third generation equipment" installed in our major operations.

PROVISION FOR DEPRECIATION OF FIXED ASSETS AND AMORTIZATION OF PRODUCTION TOOLING

Depreciation of facilities is provided at rates which have been designed to write off these assets over a conservative estimate of their useful life. Production tooling of a new product or major product change is generally amortized over a three year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements for minor product changes is charged against income at the time of purchase.

In countries where "declining balance" depreciation is allowed for income tax returns, such allowances are claimed but the books are maintained on a "straight-line" method of depreciation unless prohibited by government regulation.

Depreciation and amortization in 1966 amounted to $30.2 million compared with $26.0 million in 1965.

ASSOCIATED COMPANIES

Since the year end a substantial minority interest was acquired in Motor Iberica S.A., a major Spanish manufacturer of trucks, tractors, diesel engines and other agricultural and industrial equipment. Several Spanish companies merged to form Motor Iberica S.A. Two of these, Perkins Hispania, S.A. and Motorizacion Agricola S.A. were associated companies prior to the merger.

During the year a minority interest was acquired in a company in Morocco established to assemble and manufacture, under license, MF designed tractors and agricultural implements. A minority interest has also been acquired in a Mexican company which will manufacture Perkins diesel engines under license.

Income received from associated companies in the form of dividends is included in Interest, Finance Charges and Miscellaneous Income. Since these are growth companies, re-investing most of their income to finance expansion, the income received has not been substantial up to this time.

GEOGRAPHICAL DISTRIBUTION OF ASSETS EMPLOYED

(MILLIONS OF DOLLARS)

	1966	1965	1964	1963	1962
NORTH AMERICA	$382.4	$317.3	$277.4	$253.3	$230.5
EUROPE	345.1	321.3	255.2	230.4	233.8
AUSTRALIA	44.7	42.7	38.1	30.6	29.6
LATIN AMERICA	46.3	31.1	27.9	24.6	18.3
AFRICA	25.1	27.0	20.5	20.8	20.2
ASIA	2.2	2.2	2.3	1.1	1.1
TOTAL	$845.8	$741.6	$621.4	$560.8	$533.5

EXCHANGE ADJUSTMENTS

Financial statements of subsidiary companies outside Canada are prepared in local currency and translated to Canadian dollars following generally accepted accounting principles of exchange translation. Exchange rates prevailing at October 31 were used to translate net working capital and long term debt; rates prevailing at time of acquisition were used for translation of investments, fixed assets and depreciation provisions, and income and expense items (other than depreciation provisions) were translated at average exchange rates prevailing throughout the year.

Exchange gains or losses from the translation practices outlined above are reflected in the consolidated statement of income. The 1966 net gain of $0.5 million from this source is a reversal of the situation reported for earlier quarters and results from a significant weakening of the Canadian dollar in the foreign exchange market during the last quarter.

INCOME TAXES

Income taxes for the current year of $17.9 million are up $10.4 million from 1965, in large part due to the $5.0 million reduction in tax credits. The current provision for taxes is at the rate of 28.4% compared with 15.8% in 1965.

In each year there were tax reductions resulting from the carry-forward of prior years' losses in certain companies and the credits resulting from investment allowances, while in 1965 there were, in addition, credits resulting from organizational and other changes in certain subsidiary companies.

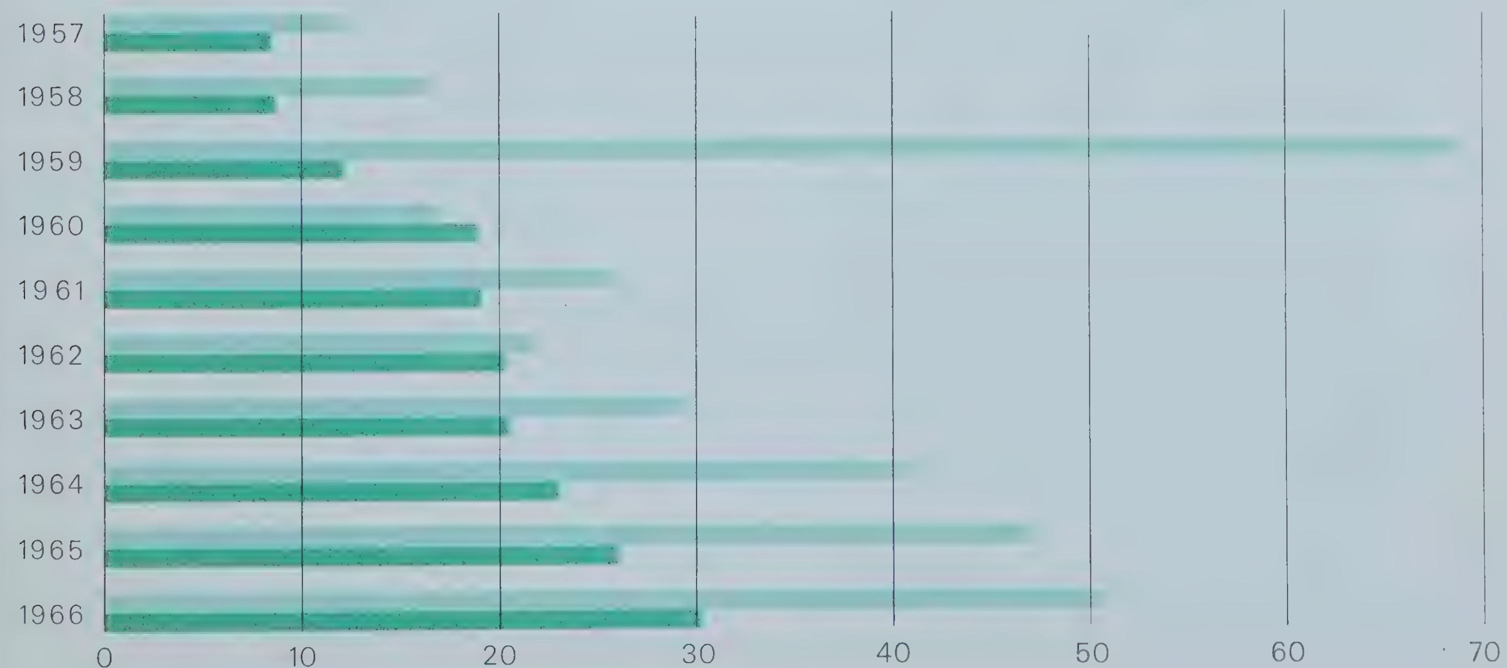
The French operations and certain other subsidiary companies have loss balances still available to be carried forward against income earned in 1967 and subsequent years which would otherwise be subject to tax. If realized, these losses will result in tax credits of approximately $3.5 million.

FINANCE COMPANIES

The portfolio of retail notes increased by $16.2 million or 11% to $165.2 million. This occurred primarily in the U.S. and generally reflects the increase in retail sales during 1966. The increase was financed from earnings of $2.7 million together with a substantial increase in long term debt. During 1966, the U.S. Finance Corporation issued U.S. $28.0 million of senior notes maturing 1971 to 1986 and retired $10.8 million of promissory notes which were originally to have matured in 1968. Retail notes are carried at their face value. The interest on these notes is taken up as it accrues over their life.

ADDITIONS TO FIXED ASSETS (INCLUDING ASSETS OF ACQUIRED COMPANIES) DEPRECIATION, AND AMORTIZATION OF PRODUCTION TOOLING

(MILLIONS OF DOLLARS)



Signing agreements with Motor Iberica on December 6, 1966 in the conference room of the Barcelona Chamber of Commerce are, left to right, K. C. Tiffany, Senior Vice President; A. A. Thornbrough, President; Don Gerardo Salvador Merino, Chairman of Motor Iberica, and J. F. Sonnett, a Managing Director of Massey-Ferguson Services N.V. The resulting new Spanish company, Motor Iberica, S.A., now has a range of manufactured products for this important and growing market that includes trucks, agricultural and industrial tractors, combines, other agricultural and industrial equipment and diesel engines.

NET SALES BY TERRITORIES
(MILLIONS OF DOLLARS)

TERRITORIES	1966 % of Total	1966 Amount $	1965 $	1964 $	1963 $	1962 $	1961 $	1960 $	1959 $	1958 $	1957 $
NORTH AMERICA											
CANADA	*10.4*	96.3	89.2	81.6	76.5	62.8	52.5	61.8	55.6	40.3	41.5
UNITED STATES	*31.1*	290.4	225.4	188.3	166.5	145.1	136.7	144.4	162.1	130.3	89.5
TOTAL	*41.5*	386.7	314.6	269.9	243.0	207.9	189.2	206.2	217.7	170.6	131.0
EUROPE											
UNITED KINGDOM	*11.1*	103.3	90.6	95.4	91.8	78.7	76.3	65.6	69.3	56.5	49.8
FRANCE	*11.0*	103.0	92.9	92.2	80.2	71.7	62.3	56.0	63.7	79.0	87.7
GERMANY	*5.0*	46.6	46.2	47.1	37.6	38.9	34.2	20.3	15.0	10.1	9.6
SCANDINAVIA	*4.5*	41.6	37.1	37.9	31.7	37.9	31.7	22.5	18.5	16.0	18.5
ITALY	*3.0*	27.5	24.2	20.6	19.5	14.5	7.6	3.3	1.9	2.2	2.8
BENELUX	*1.2*	11.1	8.8	8.0	5.8	7.5	6.6	5.1	4.1	2.9	4.5
AUSTRIA	*0.5*	4.8	5.7	4.7	4.9	6.0	4.6	3.6	2.1	3.6	2.6
YUGOSLAVIA	*0.8*	7.6	2.2	4.2	2.4	2.7	5.1	11.1	8.3	6.7	5.8
SPAIN	*0.1*	1.2	3.6	4.0	5.1	6.2	2.3	0.7	0.9	1.5	0.2
OTHER	*1.0*	9.1	7.1	5.6	3.8	4.2	3.5	2.9	3.0	2.8	2.0
TOTAL	*38.2*	355.8	318.4	319.7	282.8	268.3	234.2	191.1	186.8	181.3	183.5
AUSTRALASIA	*6.2*	57.7	55.2	57.7	47.5	38.7	34.7	37.9	29.8	27.8	33.0
AFRICA											
REPUBLIC OF SOUTH AFRICA	*3.0*	28.2	31.1	32.5	28.4	22.0	11.8	10.5	7.1	10.4	14.7
OTHER	*2.0*	18.3	16.4	12.3	14.6	9.2	8.5	12.9	11.3	9.6	9.6
TOTAL	*5.0*	46.5	47.5	44.8	43.0	31.2	20.3	23.4	18.4	20.0	24.3
LATIN AMERICA											
BRAZIL	*2.8*	26.4	21.0	31.1	20.5	10.7	5.8	2.1	0.2	2.4	1.6
OTHER	*2.4*	22.7	20.2	21.7	16.2	15.3	12.9	10.8	8.0	7.1	8.2
TOTAL	*5.2*	49.1	41.2	52.8	36.7	26.0	18.7	12.9	8.2	9.5	9.8
ASIA											
INDIA	*0.4*	3.7	5.0	3.2	3.8	4.1	5.4	8.1	3.3	3.1	3.5
OTHER	*3.5*	32.6	26.6	23.9	28.9	19.9	16.8	10.8	11.3	7.9	5.7
TOTAL	*3.9*	36.3	31.6	27.1	32.7	24.0	22.2	18.9	14.6	11.0	9.2
TOTAL	*100.0*	932.1	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8

NET SALES BY QUARTERS
(MILLIONS OF DOLLARS)

3 MONTHS ENDED	1966 % of Total	1966 Amount $	1965 $	1964 $	1963 $	1962 $	1961 $	1960 $	1959 $	1958 $	1957 $
JANUARY 31	*19.3*	179.5	138.8	145.5	110.4	96.6	86.8	87.9	82.5	74.5	65.0
APRIL 30	*28.3*	263.8	193.1	218.2	189.4	167.2	141.8	133.1	142.8	124.1	110.4
JULY 31	*25.7*	239.9	234.4	223.4	180.4	154.1	133.7	131.2	137.7	119.3	125.6
OCTOBER 31	*26.7*	248.9	242.2	184.9	205.5	178.2	157.0	138.2	112.5	102.3	89.8
TOTAL	*100.0*	932.1	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8

NET SALES BY PRODUCTS
(MILLIONS OF DOLLARS)

PRODUCTS	1966 % of Total	1966 Amount $	1965 $	1964 $	1963 $	1962 $	1961 $	1960 $	1959 $	1958 $	1957 $
FARM MACHINERY											
TRACTORS	*41.8*	389.0	317.9	317.3	298.2	263.3	227.0	221.4	215.3	193.0	188.5
GRAIN HARVESTING	*16.9*	157.5	142.2	128.3	97.0	83.8	84.4	86.4	100.5	96.4	88.3
HAY HARVESTING	*3.7*	34.7	35.0	34.6	34.0	29.8	26.0	28.7	29.5	27.1	16.3
OTHER PRODUCTS	*9.3*	86.6	77.7	64.9	57.5	49.7	46.8	57.5	56.7	58.7	55.8
TOTAL	*71.7*	667.8	572.8	545.1	486.7	426.6	384.2	394.0	402.0	375.2	348.9
ENGINES	*10.6*	98.9	94.9	93.9	81.3	70.8	52.4	47.7	24.6		
INDUSTRIAL AND CONSTRUCTION MACHINERY											
TRACTORS	*5.5*	51.6	38.4	32.9	27.7	23.1	16.1				
OTHER PRODUCTS	*2.5*	23.3	20.4	20.1	17.0	12.8	11.3				
TOTAL	*8.0*	74.9	58.8	53.0	44.7	35.9	27.4				
PARTS	*9.7*	90.5	82.0	80.0	73.0	62.8	55.3	48.7	48.9	45.0	41.9
TOTAL	*100.0*	932.1	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8

MF IN CANADA'S CENTENNIAL YEAR

1867 1967

1967 will be "special activities" year for hundreds of Canadian industrial and commercial organizations, and projects established so far range from the setting up of national scholarships and achievement grants to the donating of a porpoise pool in Vancouver. Massey-Ferguson's own contribution, the Young World Food and Development Project, has been described as one of the most substantial, statesmanlike and meaningful of industry's efforts.

The $500,000 YWFD program has been organized in conjunction with the Food and Agriculture Organization of the United Nations, and has as its goal to strengthen rural youth organizations in developing countries, mobilize youth in a concerted effort to boost food productivity and raise the level of agricultural practice and the standard of living in rural areas. The scheme hinges upon the fact that youth is the great latent force that could avert the catastrophe of global starvation. In Africa, for example, it is estimated that about 50 per cent of the total population are under 20 years of age, and about 63 per cent under 25 years of age. About 80 per cent of all youth are found in rural areas. These figures are parallelled in other developing regions, and they underline the rationale behind the Massey-Ferguson-FAO scheme.

The Project comprises four preparatory regional seminars in developing areas (the Far East, Africa, Latin America, and the Near East), two in developed areas (Europe and North America) and a final world conference to take place in September 1967 in Toronto.

The first four seminars have already taken place and are generally agreed to have been highly successful in identifying the problems involved in activating and organizing rural youth, and in mapping out likely solutions. The seminars in Rome and Des Moines, Iowa, will present these findings to delegates from the developed countries, who will deliberate on the part they can play in furthering the aims of the program. Finally, the World Seminar in Toronto will bring together all points of view, and emerge with a detailed plan on a long-term basis for the education of rural youth leaders, and the stimulation and training of young people.

The seminars in Bangkok, Addis Ababa, Lima and Beirut have indicated that

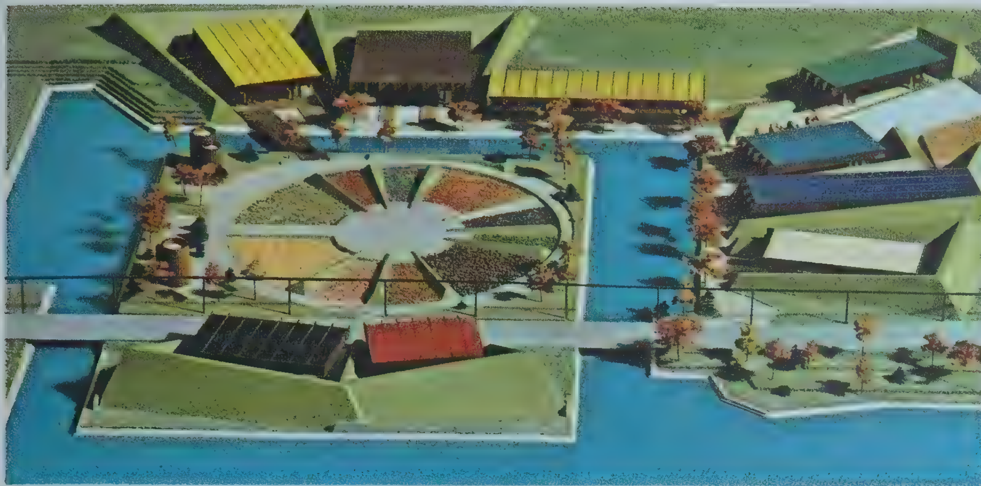
Top Primitive farming methods are still predominant in most of Africa.

Centre Study session at a 4-H Club near Bangkok. The 4-H (health, head, heart, hands) youth club movement originated in North America. This is the type of institution, so vital to encouraging agricultural development by young people, that Massey-Ferguson's centennial project was set up to foster.

Bottom The Addis Ababa Seminar was held in Africa Hall, headquarters of the Economic Commission for Africa.

Right Hart House, donated in 1919 by the Massey Foundation to the University of Toronto and normally used as a centre for student extra-curricular activities, will accommodate the YWFD World Seminar, September 11 to 16, 1967. Approximately 200 delegates from more than 100 countries will attend and there will be some 100 additional representatives and observers from international, governmental and non-governmental agencies.

Photo by David Forbert



Expo's "Man the Provider" Pavilion showing the mechanization pavilion in the top right corner.

while there are inevitable differences in circumstances between countries even in the same region, the basic problems are identical, and amply justify the world-wide approach the project has taken. While a sound agricultural base is essential to developing countries' economic growth, there is a universal trend away from the land. Paradoxically, traditional patterns of education in these countries aggravate the situation: the standard curricula in primary and secondary schools tend to breed an aversion to farm work and an attraction towards scarce "white collar" jobs in the towns. There is a lack of co-ordination of available facilities and funds; inadequate communication between youth leaders and government officials is not uncommon; traditional, primitive methods of farming and unsound dietary habits are hard to change; even when crops new to the community are grown, and acceptance for them is created, problems of storage, transport and marketing remain.

Foreign aid to underprivileged countries is praiseworthy and necessary — but by its nature it can be only a temporary expedient. The ultimate objective must be to enable the developing nations to become self-sufficient. Massey-Ferguson, with its Young World Food and Development Project, has, in co-operation with the FAO, taken a significant step in that direction.

Friday, April 28, 1967, will be a proud day for all Canada as EXPO '67, the 1967 World Exhibition and highlight of Canada's centennial celebrations, opens its gates. Canadians associated with Massey-Ferguson can take special pride in the fact that the company's origins precede Confederation by 20 years.

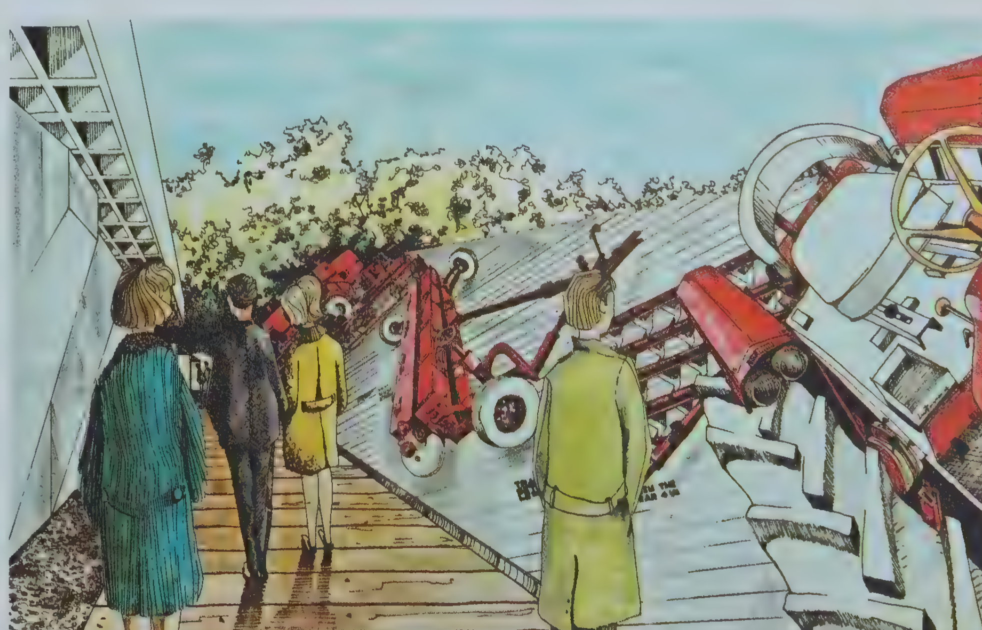
It is appropriate that the company should be a major participant in the largest single exhibit of EXPO — the Agricultural Pavilion. The $4 million Pavilion has as its theme "Man the Provider", and it will tell the story of how man has been able to master his environment in order to produce food.

Massey-Ferguson's contribution, which will cost about $250,000, centres in the mechanization pavilion, one of ten within the Agricultural Pavilion itself.

Dynamic exhibits will show how man, through increased mechanization, has been able to raise productivity with less human labour. The mechanization pavilion will explain in ways easily comprehensible to the city dweller what farm machinery does and how it works. The role of the farmer will be shown as that of a business executive, and the application of science, marketing techniques and automation to productivity and profitability will be illustrated, along with the use of computers — a recent addition to the armory of agriculture.

Other sections of the Pavilion will be devoted to soils, animals, crops, marketing and farm management. Among the points demonstrated will be the impact of fertilizers and disease control on productivity; the value of genetics and nutrition studies in livestock breeding; and the high degree of mechanization in milk and egg processing.

It is estimated that when EXPO closes in October, exactly six months after its opening, some 10 million people, having made an average of three visits each, will have seen the exhibition. Perhaps more significant is that during the same period, nearly 35 million people will have been added to the population of the world. That figure underlines the relevance of the theme "Man the Provider"; it is also a yardstick to the importance of Massey-Ferguson's two major contributions to Canada's celebrations during 1967.



This artist's sketch illustrates the outdoor portion of the mechanization pavilion at Expo.

Sketch by Gagnon Valkus Inc.

SUBSIDIARIES

FARM MACHINERY GROUP

INDUSTRIAL AND CONSTRUCTION MACHINERY GROUP

ARGENTINA

COMPANIA MASSEY-FERGUSON S.R.L.
Balcarce, 340/48, Buenos Aires, Argentina.
Limited Partnership—No Directors.

AUSTRALIA

MASSEY-FERGUSON HOLDINGS (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.
Directors: H. P. Weber, Deputy Chairman and Managing Director; J. M. Baillieu; R. R. Law-Smith; J. A. McDougald; E. P. Taylor; A. A. Thornbrough.

MASSEY-FERGUSON (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.
Directors: H. P. Weber, Deputy Chairman and Managing Director; J. S. Adams; J. K. Gaunt; G. R. Johnson; J. A. McDougald; T. A. Minahan; J. H. Morison; A. A. Thornbrough; J. M. Vance.

BRAZIL

MOTOTRAC-MAQUINAS e MOTORES LIMITADA
Avenida Sao Joao 473 Sao Paulo, Brazil.
Limited Partnership—No Directors.

MASSEY-FERGUSON DO BRASIL S.A.
Avenida Sao Joao 473 Sao Paulo, Brazil.
Directors: J. E. Williams, Managing Director; J. P. Fernandes; J. M. Pinheiro Neto; Dr. Lelio de Toledo Piza e Almeida.

CANADA

MASSEY-FERGUSON INDUSTRIES LIMITED
915 King Street West, Toronto 3, Ontario.
Directors: A. A. Thornbrough, Chairman; J. J. Chluski, President; R. K. Hall; R. E. Kidder; L. H. Pomeroy; J. G. Staiger; K. C. Tiffany; J. W. Vingoe.

MASSEY-FERGUSON BRANTFORD LIMITED
Park Road North, Brantford, Ontario.
A. A. Thornbrough, Chairman; J. J. Chluski, President.

SUNSHINE OFFICE EQUIPMENT LIMITED
Sunshine Avenue, Waterloo, Ontario, Canada.
J. J. Chluski, Chairman; J. W. Vingoe, President.

ART WOODWORK LIMITED
6040 Henri Bourassa Blvd. E., Montreal North 39, P.Q.
J. J. Chluski, Chairman; J. W. Vingoe, President.

MASSEY-FERGUSON FINANCE COMPANY OF CANADA LIMITED
915 King Street West, Toronto 3, Ontario.
A. A. Thornbrough, Chairman; K. C. Tiffany, President.

EIRE

MASSEY-FERGUSON (EIRE) LIMITED
134/135 Lower Baggot Street, Dublin, Eire.
G. A. Hunt, Chairman and Managing Director; W. M. Henderson, General Manager.

FRANCE

MASSEY-FERGUSON S.A.
22 Avenue Galilée, 92 Le Plessis-Robinson, France.
Directors: H. Vajk, Président-Directeur Général; J. J. Chluski; Societé Générale d'Exploitations Industrielles; M. Flouret; M. Rauscher; L. R. de Rosen; P. J. Roy; A. A. Thornbrough; E. W. Young.

GERMANY

MASSEY-FERGUSON G.m.b.H.
35 Kassel, Standeplatz 23, Germany.
E. W. Young, Chairman; R. A. Diez, General Manager.

ITALY

LANDINI S.p.A.
20 viale IV Novembre, Reggio Emilia, Italy.
Directors: J. Landini, Chairman; Dr. F. Fadda, General Manager; A. A. Thornbrough, Vice-President; G. Canepa; Dr. E. Durio; M. I. Prichard; E. W. Young.

MASSEY-FERGUSON ITALIANA S.p.A.
Corso Venezia 14, Milan, Italy.
E. W. Young, Chairman; Dr. F. Fadda, Managing Director.

MEXICO

MASSEY-FERGUSON DE MEXICO, S.A. de C.V.
Paseo de la Reforma No. 393 Piso 6, Mexico, D.F. Mexico.
Directors: A. A. Thornbrough, Chairman; W. Reed-Lewis, President; N. E. Burgess; J. H. Shiner; J. G. Staiger; K. C. Tiffany.

SOUTH AFRICA

MASSEY-FERGUSON (SOUTH AFRICA) LIMITED
Steel Road, Vereeniging, South Africa.
Directors: Lt. Col. K. Rood, Chairman; Dr. L. B. Knoll, Managing Director; L. J. Boon (alternate R. Ramsay); C. H. Brink (alternate S. A. Hofmeyr); R. R. A. Champion (alternate S. A. Hofmeyr); A. A. Thornbrough (alternate L. Perold); K. C. Tiffany (alternate F. G. Brand); Dr. J. G. F. van der Merwe (alternate C. J. F. Human).

SOUTH AFRICAN FARM IMPLEMENT MANUFACTURERS LIMITED
Steel Road, Vereeniging, South Africa.
Lt. Col. K. Rood, Chairman; Dr. L. B. Knoll, General Manager.

RHODESIA

RHODESIAN PLOUGH & MACHINERY COMPANY (1948) LIMITED
Bulawayo, Rhodesia.
Directors: Sir Patrick Fletcher, Chairman; D. J. Divett, Manager; F. G. Brand; J. Gilchrist; Dr. L. B. Knoll; J. W. Phillips; R. Ramsay; S. H. Veats.

UNITED KINGDOM

MASSEY-FERGUSON HOLDINGS LIMITED
33 Davies Street, London, W.1., England.
Directors: E. W. Young, Chairman; H. A. R. Powell, Managing Director; The Marquess of Abergavenny; J. W. Beith; L. J. Boon; Lord Crathorne; R. A. Diez; Dr. F. Fadda; G. A. Hunt; J. A. McDougald; F. A. Perkins; M. I. Prichard; S. E. Spicer; E. P. Taylor; A. A. Thornbrough; H. Vajk; I. J. Wallace; C. W. Webster.

MASSEY-FERGUSON (UNITED KINGDOM) LIMITED
Banner Lane, Coventry, England.
Directors: E. W. Young, Chairman; G. A. Hunt, Managing Director; D. S. Bigelow; J. R. Botterill; H. J. Hebden; J. A. McDougald; L. A. Parker; H. A. R. Powell; E. P. Taylor; A. A. Thornbrough; I. J. Wallace; C. W. Webster; Dr. B. F. Willetts.

MASSEY-FERGUSON (EXPORT) LIMITED
Banner Lane, Coventry, England.
Directors: E. W. Young, Chairman; J. W. Beith, Managing Director; M. G. Bird; P. H. Brealey; Sir Edwin Chapman-Andrews; J. D. Parsons; H. A. R. Powell; P. N. Sillars.

MASSEY-FERGUSON-PERKINS LIMITED
33 Davies Street, London, W.1., England.
Directors: A. A. Thornbrough, Chairman and Senior Managing Director; E. W. Young, Deputy Chairman; G. A. Hunt, Managing Director; M. I. Prichard, Managing Director; H. A. R. Powell; K. C. Tiffany.

MASSEY-FERGUSON (FARM SERVICES) LIMITED
Market Chambers, Shelton Square, Coventry, England.
G. A. Hunt, Chairman; B. Hatch, General Manager.

UNITED STATES

MASSEY-FERGUSON INC.
1901 Bell Avenue, Des Moines, Iowa.
Directors: J. G. Staiger, Chairman; J. J. Chluski, President; A. A. Thornbrough; K. C. Tiffany; R. L. Tweedale; J. A. Vance; J. A. Wickizer.

BADGER NORTHLAND INC.
215 West Second Street, Kaukauna, Wisconsin.
Directors: J. J. Chluski, Chairman; Vincent Rohlf, President.

MASSEY-FERGUSON FINANCE CORPORATION
6th and Washington, Springfield, Ill.
A. A. Thornbrough, Chairman; K. C. Tiffany, President.

INTERNATIONAL

MASSEY-FERGUSON INTERNATIONAL A.G.
Alpenstrasse 9, 6300 Zug, Switzerland.
Directors: Dr. P. Gmuer; M. W. Juker; Dr. H. Steinemann; Dr. C. Stucki

AGROTRAC S.A.
Calle Aquilino de la Guardia 8, Panama R.P.
Directors: E. Icaza; Dr. P. Gmuer; M. W. Juker; R. Garcia de Paredes; E. W. Young.

MASSEY-FERGUSON SERVICES N.V.
Pietermaaiweg 22C, Curacao, Netherlands Antilles.
Directors: Dr. U. Brinkmann; Hendrik J. Roefstra; John F. Sonnett.

PERKINS SERVICES N.V.
Pietermaaiweg 22C, Curacao, Netherlands Antilles.
Directors: Dr. U. Brinkman; Hendrik J. Roefstra; John F. Sonnett.

ENGINES GROUP

F. PERKINS LIMITED
Peterborough, England.

Directors: M. I. Prichard, Chairman and Managing Director; V. F. Frayling; C. J. Hind; H. Lymath; T. H. R. Perkins; T. A. Read; G. E. Smith; A. A. Thornbrough; J. Winstanley; K. E. Woollatt; E. W. Young.

PERKINS ENGINES LIMITED
Peterscourt, Peterborough, England.

Directors: M. I. Prichard, Chairman; R. F. Mead; T. H. R. Perkins; T. A. Read; G. E. Smith; J. Winstanley.

PERKINS ENGINES (PTY.) LIMITED
Princes Highway, Dandenong, Victoria, Australia.

J. M. G. Collins, Managing Director.

PERKINS ENGINES (PROPRIETARY) LIMITED
4 Simmonds Southway, Park Central, Johannesburg, South Africa.

Directors: R. G. Havers, General Manager; E. V. Buchanan; T. H. R. Perkins; M. I. Prichard; J. Winstanley.

MOTEURS PERKINS S.A.
55 Boulevard Ornano, Saint Denis (Seine), France.

Directors: P. Poniatowski, Président-Directeur Général; J. Bondon; G. Delamare-Deboutteville; Perkins Engines Limited; M. I. Prichard; Emile Roche; Baron Roger.

PERKINS MOTOREN G.m.b.H.
Aschaffenburg, Maximillianstrasse 12, West Germany.

PERKINS ENGINES CANADA LIMITED
7 Meridian Rd., Rexdale, Ontario.

H. J. Graham, President.

PERKINS ENGINES INCORPORATED
27575 Wixom Rd., Wixom, Michigan, U.S.A.

Directors: W. D. Winemaster, President; J. P. Allan; T. H. R. Perkins; M. I. Prichard; G. E. Smith; J. A. Vance.

MOTORES PERKINS S.A.
Avenida Wallace Simonsen 13, Sao Bernardo de Campo, State of Sao Paulo, Brazil.

Directors: V. O. Griffin, Managing Director; L. W. E. Hugentobler; Dr. J. E. Monteiro de Barros; J. M. Pinheiro Neto.

MOTORI PERKINS S.p.A.
Via Pasquale Paoli 9A, Camerlata, Como, Italy.

Directors: Dr. E. de Fillippis; Dr. F. Fadda; D. G. Parente; M. I. Prichard.

PRODUCTS MANUFACTURED

FARM MACHINERY GROUP
INDUSTRIAL AND CONSTRUCTION MACHINERY GROUP

AUSTRALIA

BENDIGO, (45,525 sq. ft.) — Manufacture of Non-current Spare Parts.

MELBOURNE (Sunshine), (1,476,319 sq. ft.) — MF506 and MF585 Headers (Self-propelled and Pull-type Combines); Sugar Cane Harvesters; Mowers; Drills; Balers; Hay Rakes; Foragers; Tillers; Cultivators; Harrows; Bale Loaders; Mouldboard, Disc and Chisel Plows; Spinner Broadcasters; Post Hole Diggers; Jib Cranes; Bulk Trailer Bins; Toolbar Planters; Earth Scoops; Multi-purpose Blades; Cordwood Saws; Scarifiers; Subsoilers; Transporters; Rotary Cutters.

BRAZIL

SAO PAULO, (129,914 sq. ft.) — MF 50 and MF 65 Tractors.

CANADA

BRANTFORD, (North American Combine Plant), (571,675 sq. ft.) — MF 300, MF 410 and MF 510 Self-propelled Combines; MF 405 Pull-type, MF 205, Combine.

BRANTFORD, ("M" Foundry), (192,229 sq. ft.) — Castings for Massey-Ferguson plants.

BRANTFORD, (Verity Plant), (522,754 sq. ft.) — Mouldboard and Disc Plows; Chisel Plows; Disc Harrows; Spring Tooth Harrows; Subsoilers; Wide Level Disc Harrows; Mowers; Side Delivery Rakes; Grain Boxes; Mounted Tillers; Cultivators; Wheeled Hitch.

MONTREAL, (115,000 sq. ft.) — Full line of Wooden Office Furniture.

TORONTO, (1,904,028 sq. ft.) — Balers; Self-propelled and Pull-type Swathers; Pick-ups; Components for other assembly locations.

WATERLOO, (285,000 sq. ft.) — Full line of Modern Steel Office Furniture; Metal Partitions and Storage Equipment including Steel Shelving and Lockers; Steel Garage Doors; Steel Stampings.

FRANCE

BEAUVAIS, (581,000 sq. ft.) — MF 122, MF 130, MF 135, MF 140, MF 145 and MF 165 Agricultural Tractors.

MARQUETTE (1,066,422 sq. ft.) — MF 510-8 and MF 99-8 Self-propelled Combines; Combine Presses; Balers; Mowers; One-way Discs; Disc Harrows; Mouldboard Plows; Tillers; Cultivators; Trailers.

GERMANY

ESCHWEGE, (587,565 sq. ft.) — MF 30, MF 31, MF 86, MF 87 Combines; Mounted Presses and Straw Choppers for Combines; Forage Harvesters; Harrows; Tillers; Spinner Broadcasters; Roller Chain.

ITALY

COMO, (115,000 sq. ft.) — Diesel Engines; Tractor Components.

FABBRICO, (380,000 sq. ft.) — R50, R3000, R5000, R7000, R8000, DT5000, DT7000, DT8000 Landini 2- and 4-Wheel Drive Agricultural Tractors; C4000, C5000, CI5000, CI8000 Landini Agricultural and Industrial Crawler Tractors; MF 44, MF Super 44, MF 244, MF 3366 Agricultural and Industrial Crawler Tractors.

SOUTH AFRICA

VEREENIGING, (440,111 sq. ft.) — Maize Harvesters; Mouldboard, Disc and Chisel Plows; Harrows; Cultivators; Tillers; Rotary Hoes; Maize, Cotton and Peanut Planters; Bean Lifters; Toolbars; Earth Scoops; Subsoilers; Multi-purpose Blades; Combination Cutter Hammermills; Rotary Cutters; Animal Draft Implements; Hay Rakes, Buckets, Graders.

RHODESIA

BULAWAYO, (55,500 sq. ft.) — Animal Draft Implements; Hoes; Groundnut Shellers.

UNITED KINGDOM

BAGINTON, (300,000 sq. ft.) — Machining of tractor components.

COVENTRY (Banner Lane), (1,289,000 sq. ft.) — MF 135, MF 165, MF 175 Agricultural Tractors; MF 2135, MF 3303, MF 3305 Semi-Industrial Tractors; MF 203, MF 205 Industrial Tractors.

KILMARNOCK, (746,322 sq. ft.) — MF 415, MF 500, MF 510, MF 515 and MF 788 Combines, Potato Harvesters.

MANCHESTER (Barton Dock Road), (519,366 sq. ft.) — Mowers; Drills; Fertilizer Attachments; Front-End Loaders; Shovels and Diggers.

UNITED STATES

ALGOMA, (58,250 sq. ft.) — MF 10 and MF 12 Garden Tractors; Rotary Mowers; Rotary Tillers.

DES MOINES, (North American Implement Plant) (643,458 sq. ft.) — Corn Heads; Rotary Hoes; Drills; Planters; Listers.

DETROIT (Industrial Products Plant), (362,423 sq. ft.) — 2- and 4-Wheel Drive Industrial Tractors and Loaders; Crawler Dozers and Loaders; Rough Terrain, Towable Fork Trucks; Backhoes; Tractor Mounted Loaders; Landscaping Equipment.

DETROIT, (North American Tractor Plant), (550,027 sq. ft.) — MF 135, MF 150, MF 165, MF 175, MF 180, MF 1100 and MF 1130 Agricultural Tractors; MF 356 Shovel Loader; MF 202 and MF 204 Fork Lifts; Backhoes; Loaders; Multi-purpose Blades; Post Hole Diggers; Dozer Blades; Fork Lift Kits.

DETROIT, (Transmission and Axle Plant), (185,967 sq. ft.) — Transmissions and Axels for Tractor Assembly Plant and Components for Other Plants. In November 1966 a newer 260,000 square-foot Transmission and Axle facility was acquired. It will be brought into production in 1967.

FOWLER, (68,572 sq. ft.) — Cultivators; Disc Harrows; Spring Tooth Harrows; Reversible Disc Plows; Tool Carriers; Fork Lifts; Utility and Terrace Blades.

KAUKAUNA, (Main Plant), (67,574 sq. ft.) — Badger Barn Cleaners; Silo Unloaders; Tube and Bunk Auger Feeders; Chain Conveyors; Dump Carts; Components for other Kaukauna and Algoma Plants.

KAUKAUNA, (North Plant), (33,600 sq. ft.) — Self Unloading Boxes; Forage Harvesters and Blowers; Mixer Mills; Silage Distributors; Forage Wagons; Hay and Corn Heads.

ENGINES GROUP

AUSTRALIA, Dandenong, (16,160 sq. ft.) — Assembly of Industrial Diesel Engines; Engine Reconditioning.

BRAZIL, Sao Paulo, (15,000 sq. ft.) — Diesel Engines.

FRANCE, Paris, (152,500 sq. ft.) — Diesel Engines.

UNITED KINGDOM, Fletton, (130,000 sq. ft.) — V8-510 Diesel Engines; Peterborough (Eastfield), (983,620 sq. ft.) — High Speed Diesel Engines for Marine, Automotive, Agricultural and Industrial Purposes; Peterborough (Queen St.), (120,510 sq. ft.) — Engine Reconditioning; Peterborough (Walton), (169,500 sq. ft.) — Gears and Engine Components.

ASSOCIATED COMPANIES

INDIA, Madras (88,500 sq. ft.) — MF 35 Tractor and Implements Tractors and Farm Equipment Limited, P.O. Box 3302, Madras 34, India. Directors: M. V. Venkatraman, Chairman; A. Sivasailam, General Manager; L. J. Boon (alternate J. Deavin); S. S. Raghavachari; A. A. Thornbrough.

SPAIN, Barcelona, (848,000 sq. ft.) — Motor Iberica S.A.; Madrid, (90,000 sq. ft.); Noain, (112,000 sq. ft.); Zaragoza, (95,000 sq. ft.).

ARGENTINA, Buenos Aires — Perkins Argentina S.A.I.C; Cordoba, (144,500 sq. ft.).

MEXICO, Mexico City — Motores Perkins S.A.; Toluca (78,000 sq. ft.).

Right On this typical tobacco farm in southwestern Ontario, the "pickers" move up and down the rows removing only the mature leaves and placing them in the horse-drawn "boat". These "boats" are then hauled away by the tractor, placed in "racks", and hung in the curing barns for three to four days.

Below After curing, the golden-coloured tobacco is removed and stored in the "pack house" for several weeks to develop good physical condition and better colour. The leaves are then graded, tied into "hands" and marketed.

Photos by David Forbert

TOBACCO, grown successfully around the world under a wide variety of soil and climatic conditions, was first cultivated by the Indians of North and South America before the culture was extended to Europe in the sixteenth century. Today, the United States produces about one quarter of the world's annual production (8 billion lbs.), with China, India and Russia ranking next in order of volume.

Ninety-seven per cent of all tobacco grown in Canada is produced in Ontario, amounting to about 200 million lbs. in 1966 or 1800 lbs. per acre. The very seasonal tobacco harvest in southwestern Ontario employs an estimated 50,000 casual workers, 25,000 housewives and high school students and another 25,000 transients.

Massey-Ferguson Limited

200 UNIVERSITY AVE., TORONTO 1, CANADA

DIRECTORS

*Albert A. Thornbrough
President and Chief Executive Officer

*E. P. Taylor
Chairman, Executive Committee

The Marquess of Abergavenny
Hon. Leslie M. Frost, Q.C.
*A. Bruce Matthews
K. C. Tiffany

Henry Borden, Q.C.
Charles L. Gundy
*John A. McDougald
H. A. Wallace

H. J. Carmichael
Gilbert W. Humphrey
*Maxwell C. G. Meighen
T. M. Ware

Lord Crathorne
John D. Leitch
W. K. Mounfield
*Colin W. Webster

**Member Executive Committee*

CORPORATE MANAGEMENT

Albert A. Thornbrough
President and Chief Executive Officer

K. C. Tiffany
Senior Vice President and Vice President Finance & Administration

J. E. Mitchell
Group Vice President Industrial & Construction Machinery

M. I. Prichard
Group Vice President Engines

J. G. Staiger
Group Vice President Farm Machinery

H. A. Wallace
Vice President Manufacturing

J. A. Belford
Vice President Personnel & Industrial Relations

J. J. Jaeger
Vice President Research & Development

H. G. Kettle
Vice President Public Relations

P. J. Wright
Vice President Marketing & Product Management Farm Machinery

L. J. Boon
Director Special Operations

S. R. Wilson
Director Logistics

H. A. R. Powell
Managing Director Massey-Ferguson Holdings Limited

R. W. Main
Secretary

G. K. Blair
Treasurer

J. A. Evans
Director Legal Services

OPERATIONS MANAGEMENT

BRAZIL

J. E. Williams
Managing Director Massey-Ferguson do Brasil S.A.

V. O. Griffin
Managing Director Motores Perkins S.A.

EXPORT

J. W. Beith
Vice President and Managing Director Massey-Ferguson (Export) Limited

J. Winstanley
General Manager Perkins International Marketing Operation

FRANCE

H. Vajk
President-Directeur General Massey-Ferguson S.A.

P. H. Poniatowski
President-Directeur General Moteurs Perkins S.A.

UNITED KINGDOM

G. A. Hunt
Managing Director Massey-Ferguson (United Kingdom) Limited

T. H. R. Perkins
General Manager Perkins United Kingdom Operations

NORTH AMERICA

J. J. Chluski
Vice President and General Manager Farm Machinery Group North America President, Massey-Ferguson Inc. and Massey-Ferguson Industries Limited

J. B. Lendrum
General Manager Industrial and Construction Machinery North America

AUSTRALIA

H. P. Weber
Managing Director Massey-Ferguson (Australia) Limited

ITALY

Dr. F. Fadda
General Manager Landini S.p.A. Massey-Ferguson Italiana S.p.A. Massey-Ferguson ICM S.p.A.

GERMANY

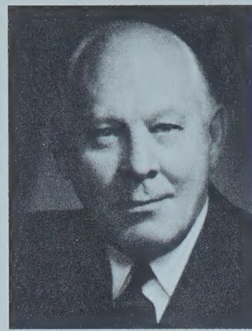
R. A. Diez
General Manager Massey-Ferguson G.m.b.H.

SOUTH AFRICA

Dr. L. B. Knoll
Managing Director Massey-Ferguson (South Africa) Limited

TRANSFER AGENTS AND REGISTRARS

COMMON SHARES	TRANSFER AGENTS	REGISTRARS
Toronto, Vancouver, Winnipeg	National Trust Company Limited	Crown Trust Company
Montreal	Canada Permanent Trust Company	Crown Trust Company
New York	The Canadian Bank of Commerce Trust Company	Morgan Guaranty Trust Company of New York
London, England	The British Empire Trust Company, Limited	Lazard Brothers & Co., Ltd.



Henry Borden, Q.C.
Consultant and Director—Brazilian Light and Power Company Limited.
Director—British Newfoundland Corporation Limited, The Bell Telephone Co. of Canada, International Business Machines Co. Ltd., Canadian Imperial Bank of Commerce.
Chairman, Board of Governors—University of Toronto.

Board of Directors

Massey-Ferguson Limited

H. J. Carmichael
Director—Continental Can Co. of Canada Ltd., Argus Corporation Limited, Canada Permanent Trust Company.

Albert A. Thornbrough
President—Massey-Ferguson Limited.
Director and Member Executive Committee—Canadian Imperial Bank of Commerce.
Director—Argus Corporation Limited, Crown Trust Company.
Governor—University of Guelph.

Lord Crathorne
Privy Councillor—United Kingdom.
Minister of Agriculture and Fisheries, 1951-54.
Past Vice-President—Council of Europe.
Member of Standing Committee and Past Vice-President—N.A.T.O. Parliamentarians Conference.

E. P. Taylor
President—The New Providence Development Company Limited.
Director—Argus Corporation Limited, The Royal Bank of Canada, Domtar Limited, Canadian Breweries Ltd., British Columbia Forest Products Ltd.
Governor—McGill University.

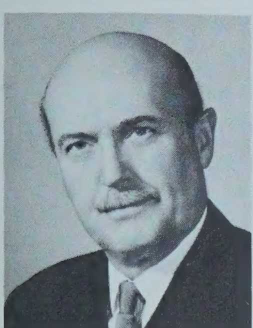
Hon. Leslie M. Frost, Q.C.
Vice-President and Director—Bank of Montreal.
Director—Lever Brothers Limited, The Canada Life Assurance Company.
Member of Privy Council.
Governor—University of Toronto.
Premier of Ontario, 1949-61.

The Marquess of Abergavenny
President—The Royal Agricultural Society of England, 1967.
Director—Lloyds Bank Limited, Moffats Limited.

Charles L. Gundy
President—Wood Gundy Securities Limited.
Director—Simpsons, Limited, Abitibi Paper Co. Ltd., Domtar Limited.

Gilbert W. Humphrey
Chairman—The Hanna Mining Company, Cleveland, Ohio.
Director—National Steel Corporation, General Electric Company, Texaco Inc.

John D. Leitch
Chairman—Maple Leaf Mills Limited.
President—Upper Lakes Shipping Ltd.
Director—Dominion Foundries and Steel, Ltd., Canada Life Assurance Company.
Governor—York University, Toronto.



A. Bruce Matthews

Chairman—Excelsior Life Insurance Company, Canadian Breweries Ltd.,
Vice-President and Director—Argus Corporation Limited, The Toronto-Dominion Bank.
Governor—University of Toronto.
Chairman—Toronto Western Hospital.

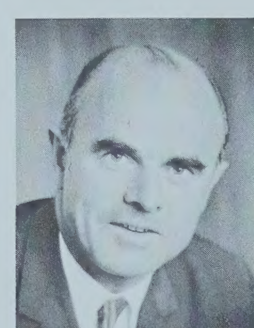
John A. McDougald
Chairman and President—Crown Trust Company.
Chairman—Dominion Stores Limited.
Vice-President and Director—Argus Corporation Limited, Hollinger Consolidated Gold Mines, Ltd.
Director—Canadian Imperial Bank of Commerce.

Maxwell C. G. Meighen
President—Canadian General Investment Ltd.
Vice-President—The Canada Trust Company.
Director—The Algoma Steel Corp., Ltd., Argus Corporation Limited, The Royal Bank of Canada.

W. K. Mounfield
Assistant Secretary—Massey-Ferguson Limited.

K. C. Tiffany
Senior Vice President, Vice President Finance and Administration—Massey-Ferguson Limited.
Director—Johnson Bronze Company, New Castle, Pennsylvania.

H. A. Wallace
Vice President Manufacturing—Massey-Ferguson Limited.



Thomas M. Ware
Chairman—International Minerals & Chemical Corporation, Skokie, Illinois.
Chairman, Board of Trustees—American Freedom From Hunger Foundation.
Director—The Foundation For American Agriculture, First National Bank of Chicago.

Colin W. Webster
President—Canadian Import Limited.
Director—Sun Life Assurance Company of Canada, The Royal Bank of Canada, Dominion Textile Company Ltd.

The MF 10 Suburban Tractor, introduced in the Fall of 1965, has proved popular in the United States and Canada for a wide variety of domestic purposes, including lawn mowing, snow clearing, tillage, cultivating, sweeping and hauling. It is also used by farmers and professional gardeners with pieces of small equipment such as grain elevators and power sprayers. The MF 10 is made at the company's Badger, Wisconsin plant. Its sales potential is currently being evaluated by operations units abroad.